



Rating
Hold

North America
United States

Financial
Brokers, Asset
Managers & Exchanges

Company
**WisdomTree
Investments**

Reuters
WETF.OQ

Bloomberg
WETF US

Exchange
NMS
Ticker
WETF

Date
27 July 2018

Results

Price at 26 Jul 2018 (USD)	9.29
Price Target	10.00
52-week range	13.23 - 8.72

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Reiterate Hold; Organic Growth Still Muted by DXJ/HEDJ Outflows

Good 2Q but persistent outflows in largest ETFs offsets org growth progress

WETF's adjusted diluted 2Q18 EPS of \$0.09 beat Consensus of \$0.08 & was in line w/our \$0.09 est. We view core EPS at ~\$0.09 as well. We view 2Q results as mixed given relatively good cost control, as well as the realization of \$5mn ETF Securities deal synergies & identification of another \$7mn expense synergies thru 2019. However flows continued to be challenged w/\$1.3bn of total outflows, down from \$2.2bn Q/Q, but international hedged and gold ETF outflows continue to substantially overwhelm organic growth in WETF's core products.

Modest changes to estimates

We made modest changes to EPS estimates, including reducing flow forecasts for international developed market & gold ETFs and trimming advisory fee rates, partially offset by reduced expense forecasts, mostly from additional expense synergies mgmt. announced. Our EPS estimates change as follows: 3Q18E stays at \$0.09 & 2018E stays at \$0.35, 2019E to \$0.39 from \$0.40, & 2020E to \$0.40 from \$0.41. Our 3Q18 EPS estimate is in line with Consensus, as is our 2018 estimate, while our 2019 estimate is 10% below Consensus.

Key positives in 2Q were:

Key positives were: 1) adjusted pre-tax margin of 30.0% up from 25.9% Q/Q though slightly below our 30.5% est., 2) ~77% of US-listed equity, fixed income, & alternative ETF assets outperformed comparable Morningstar averages since inception (~63% of ETFs by number of funds), 3) positive net flows in "core" ETFs (outside of DXJ, HEDJ, PHAU) in 2Q and July, 4) identified \$7mn of annual cost efficiencies from closing Japan sales office (\$4mn) & from other marketing/distribution savings (\$3mn), & 5) announced several new promising partnerships, including ETF entry on Cetera NTF platform (available to nearly 8k advisors) & placement of Advisor Engine on a large B/D platform (access to 3k advisors).

Key negatives to monitor

Key negatives were: 1) \$1.3bn of total outflows in 2Q (incl. DXJ/HEDJ), driven primarily by \$1.5bn of international developed market equity outflows, partially offset by modest fixed income & US equity inflows, 2) outflows continuing in DXJ, HEDJ, & PHAU, with nearly \$800mn outflow so far in July, partially mitigated by \$100mn+ net inflows across other ETFs, 3) average advisory fee of 48bps down from 50bps Q/Q & Y/Y, & 4) third-party distribution fee as portion of US revenue rose to just over 3% vs. 2.6-3.0% mgmt. outlook.

Key changes

TP	11.00 to 10.00	↓	-9.1%
EPS (USD)	-	↑	0.2%

Source: Deutsche Bank

Reiterate Hold Rating but trimming PT to \$10 from \$11 on lower EPS estimate

Our PT is driven by our view for WETF to trade at an overall 50% P/E premium to the S&P 500, given its differentiated business model in the fast growing ETF industry. Downside risks are: 1) weakening US dollar that could spur HEDJ and DXJ outflows; 2) sharp market downturn that materially reduces AuM; 3) increased pricing competition in smart beta ETF products; & 4) investor perception that WETF will remain independent in perpetuity. Upside risks are: 1) a pickup in smart beta industry flows relative to pure beta products, 2) a strengthening US dollar that could spur HEDJ and DXJ inflows, 3) increased flows from expanded international distribution channel through ETF Securities acquisition, & 4) any indication from other management teams of interest in acquiring an ETF provider.



Key Metrics & Valuation

Figure 1: DB Asset Manager Valuation Derivation

Historical Avg P/Es	Absolute Net Cash P/E on NTM			Rel Net Cash P/E vs. S&P 500			Net Cash Rel P/E L 3Yrs	Target Prem/Disct	Target Rel P/E	Ex Net Cash Per Share	
	LTM	Last 2 Yrs	Last 3 Yrs	LTM	Last 2 Yrs	Last 3 Yrs				Relative PE on 2017	Relative PE on 2018E
AMG	11.2x	10.5x	11.0x	64%	63%	66%	66%	-1%	65%	0.48x	0.54x
BLK	18.2x	17.6x	17.2x	105%	105%	104%	104%	7%	110%	1.02x	1.01x
BEN	11.4x	11.4x	10.9x	66%	68%	65%	65%	-11%	55%	0.40x	0.51x
EV	16.8x	16.6x	16.1x	96%	99%	97%	97%	3%	100%	0.91x	0.92x
FII	13.3x	13.5x	14.1x	76%	80%	85%	85%	-25%	60%	0.51x	0.63x
I/Z	12.3x	12.2x	12.2x	71%	73%	74%	74%	-14%	60%	0.45x	0.54x
JHG	11.0x	NA	NA	63%	NA	NA	63%	2%	65%	0.56x	0.60x
LM	12.7x	12.6x	12.8x	73%	75%	77%	77%	-13%	65%	0.42x	0.64x
TROW	14.6x	14.1x	14.4x	84%	84%	87%	87%	14%	100%	0.97x	0.89x
WETF	30.4x	33.3x	29.7x	174%	198%	179%	179%	-29%	150%	2.07x	1.50x
Median Asset Mgrs	13.0x	13.5x	14.1x	75%	80%	85%	85%	-6%	65%	0.54x	0.63x
S&P 500 P/E	17.4x	16.8x	16.6x								

Asset Mgrs	Forecast EPS			Target Relative PE on 2018E	AM's Target PE in 12 Mths on 2018E	Net Cash Per Share 1Q18	12-Month Fair Value Estimate	Current Price	Fair Value vs. Current	Dividend Yield	Potential ROI to PT
	2017	2018E	2019E								
AMG	\$14.64	\$15.96	\$18.23	65%	11.4x	\$0.00	\$207.42	\$151.26	37.1%	0.8%	37.9%
BLK	\$22.53	\$28.05	\$29.61	110%	19.3x	\$7.78	\$578.36	\$502.51	15.1%	2.4%	17.5%
BEN	\$3.13	\$3.03	\$2.89	55%	9.6x	\$5.41	\$33.08	\$32.51	1.8%	2.9%	4.6%
EV	\$2.72	\$3.31	\$3.77	100%	17.4x	\$0.00	\$65.70	\$53.40	23.0%	2.9%	26.0%
FII	\$2.18	\$2.18	\$2.38	60%	10.5x	\$0.00	\$25.00	\$23.88	4.7%	4.4%	9.1%
I/Z	\$2.70	\$2.76	\$2.95	60%	10.4x	\$0.00	\$30.69	\$26.10	17.6%	4.6%	22.2%
JHG	\$2.47	\$2.87	\$2.99	65%	11.4x	\$1.27	\$35.20	\$31.24	12.7%	4.6%	17.3%
LM	\$3.64	\$2.91	\$3.72	65%	11.3x	\$0.00	\$42.07	\$32.80	28.3%	4.1%	32.4%
TROW	\$5.44	\$7.30	\$7.63	100%	17.5x	\$5.18	\$138.72	\$119.07	16.5%	2.2%	18.7%
WETF	\$0.21	\$0.35	\$0.39	150%	26.2x	\$0.26	\$10.41	\$9.49	9.7%	1.3%	11.0%
Median	\$2.92	\$2.97	\$3.36	65%	11.4x				15.8%	2.9%	18.1%

S&P 500 EPS est	\$132	\$162	\$172
P/E (current SPX)	21.5x	17.5x	16.5x

	Current	In 12 Mths	SPX PE
Target S&P 500 PE (on 2019E in 12mths)	2,837	3,000	17.5

Source: Deutsche Bank estimates, FactSet, Company Reports



Figure 2: WETF Income Statement Variance (\$mn)

CONSOLIDATED INCOME STATEMENT	VARIANCE						
	2Q17	1Q18	2Q18A	2Q18E	2Q18A vs.		
					2Q18E	1Q18	2Q17
Operating Revenues:							
Advisory fees	56,114	58,756	73,778	75,779	-2.6%	25.6%	31.5%
Other income	7,036	148	997	898	11.0%	573.6%	-85.8%
Total operating revenues	63,150	58,904	74,775	76,677	-2.5%	26.9%	18.4%
Operating Expenses:							
Compensation & benefits	18,421	18,832	19,301	20,109	-4.0%	2.5%	4.8%
Fund management & administration	10,112	10,912	14,621	15,144	-3.5%	34.0%	44.6%
Contractual gold payments	0	0	2,715	1,312	106.9%	NA	NA
Marketing & advertising	3,825	3,195	3,778	4,393	-14.0%	18.2%	-1.2%
Sales & business development	3,389	3,813	4,503	4,402	2.3%	18.1%	32.9%
Professional & consulting fees	1,221	1,636	1,560	1,706	-8.6%	-4.6%	27.8%
Occupancy, communications & equipment	1,371	1,363	1,574	1,513	4.0%	15.5%	14.8%
Depreciation & amortization	352	355	337	366	-8.0%	-5.1%	-4.3%
Third-party distribution fees	670	1,725	1,666	2,500	-33.4%	-3.4%	148.7%
Acquisition payment & restructuring charges	0	2,062	7,928	5,000	58.6%	284.5%	NA
Other	1,842	1,790	2,261	1,875	20.6%	26.3%	22.7%
Total operating expenses	41,203	45,683	60,244	58,321	3.3%	31.9%	46.2%
<i>memo: third party costs to advisory fees</i>							
Operating income	21,947	13,221	14,531	18,356	-20.8%	9.9%	-33.8%
Interest expense	0	1	-2,356	-2,800	-15.9%	-235700.0%	NA
Interest income	641	962	612	973	-37.1%	-36.4%	-4.5%
Other gains/(losses)	-363	-262	9,397	-230	-4192.4%	-3686.6%	-2688.7%
	0	0	0	0	NA	NA	NA
Income before income taxes	22,225	13,922	22,184	16,299	36.1%	59.3%	-0.2%
Income tax expense	10,120	4,498	5,460	4,890	11.7%	21.4%	-46.0%
Extraordinary items aftertax	4,256	-1,851	2,409	-3,500	-168.8%	-230.1%	-43.4%
Net income	12,105	9,424	16,724	11,410	46.6%	77.5%	38.2%
Basic EPS	\$0.09	\$0.07	\$0.11	\$0.07	64.0%	61.1%	24.7%
Diluted EPS	\$0.09	\$0.07	\$0.10	\$0.07	50.6%	48.3%	14.7%
Operating continuing ops diluted EPS	\$0.06	\$0.08	\$0.09	\$0.09	-1.4%	6.1%	51.4%

Source: Deutsche Bank estimates, Company Reports



Figure 3: WETF Key Metrics Variance (\$mn)

VARIANCE							
					2Q18A vs.		
CONSOLIDATED INCOME STATEMENT	2Q17	1Q18	2Q18A	2Q18E	2Q18E	1Q18	2Q17
KEY OPERATING METRICS							
Basic:							
Effective tax rate (GAAP)	45.9%	32.3%	24.6%	30.0%	-18.0%	-23.8%	-46.4%
Effective tax rate (non-GAAP)	45.5%	32.3%	29.2%	30.0%	-2.7%	-9.7%	-35.9%
Dividends per share	\$0.08	\$0.03	\$0.03	\$0.03	0.0%	0.0%	-62.5%
Dividend payout ratio	89.6%	43.4%	29.3%	44.1%	-33.6%	-32.6%	-67.3%
Preferred dividends							
Earnings Measures:							
GAAP EPS	\$0.09	\$0.07	\$0.10	\$0.07	50.6%	48.3%	14.7%
Non-GAAP EPS	\$0.06	\$0.08	\$0.09	\$0.09	-1.4%	6.1%	51.4%
EBITDA	22,577	14,277	23,067	19,466	18.5%	61.6%	2.2%
EBITDA p.s.	\$0.17	\$0.10	\$0.14	\$0.12	21.7%	35.0%	-15.2%
Operating Cash Flow p.s.	\$0.10	\$0.10	\$0.12	\$0.05	146.4%	20.0%	17.8%
Profitability:							
Pretax operating margin	34.8%	25.9%	30.0%	30.5%	-1.4%	15.8%	-13.6%
Pretax operating margin on net revenue	34.8%	25.9%	30.0%	30.5%	-1.4%	15.8%	-13.6%
EBITDA margin on net revenue	35.8%	24.2%	30.8%	25.4%	21.5%	27.3%	-13.7%
Operating expenses/mgmt fees	73.4%	77.8%	81.7%	77.0%	6.1%	5.0%	11.2%
Total comp/net revenue ratio	32.7%	32.0%	25.8%	26.2%	-1.6%	-19.3%	-21.2%
Asset mgmt revenue yield	0.5%	0.5%	0.5%	0.5%	0.1%	-3.4%	-4.8%
Operating income/avg AuM (annlzd)	0.2%	0.1%	0.1%	0.1%	-18.6%	-15.5%	-52.0%
Net income/AuM (annlzd)	0.1%	0.1%	0.1%	0.1%	50.7%	36.5%	0.1%
Return on equity (ROE)	24.3%	19.5%	19.5%	13.5%	44.9%	-0.1%	-19.6%
Return on tangible equity	25.8%	21.0%	-527.8%	-258.7%	104.0%	-2610.0%	-2147.3%
Balance Sheet:							
EOP Assets	243,892	239,990	902,098	883,992	2.0%	275.9%	269.9%
EOP Equity	202,498	201,605	485,892	477,979	1.7%	141.0%	139.9%
Tangible Equity (EOP)	190,746	187,777	-213,191	-223,149	-4.5%	-213.5%	-211.8%
EOP Long-term Debt	0	0	193,407	200,000	-3.3%	NA	NA
Book value per share	\$1.48	\$1.46	\$3.17	\$2.85	11.4%	116.9%	114.5%
Tangible book value per share	\$1.39	\$1.36	-\$1.39	-\$1.33	4.7%	-202.2%	-199.9%
Net cash per share (net of debt)	\$0.65	\$0.77	-\$0.80	-\$0.88	-8.7%	-204.5%	-223.7%
Debt/EBITDA	0.0x	0.0x	2.1x	2.6x	-18.4%	NA	NA
Equity/Assets	83.0%	84.0%	53.9%	54.1%	-0.4%	-35.9%	-35.1%
Total capital return ratio (div + repo)	91.0%	51.6%	31.7%	-2322.3%	-101.4%	-38.5%	-65.1%
Key Fundamental Drivers:							
Assets under mgmt (AuM)	44,730	44,961	59,971	60,443	-0.8%	33.4%	34.1%
sequential grow th rate (%)	3.2%	-8.1%	33.4%	34.4%	-3.0%	-510.9%	959.7%
Avg assets under mgmt	44,407	47,724	61,301	63,041	-2.8%	28.4%	38.0%
sequential grow th rate (%)	4.3%	-0.7%	28.4%	32.1%	-11.4%	-4104.8%	560.0%
Net flow s to AuM	767	-2,214	-1,256	-1,242	1.1%	-43.3%	-263.7%
Organic grow th rate	1.8%	-4.5%	-2.8%	-2.8%	1.1%	-38.3%	-257.9%
Market/FX contribution	599	-1,761	-1,375	-876	57.0%	-21.9%	-329.6%
% sequential change	1.4%	-3.6%	-3.1%	-1.9%	57.0%	-15.0%	-321.4%
Acquired AuM	0	0	17,641	17,600	0.2%	NA	NA
% squential contribution	0.0%	0.0%	39.2%	39.1%	0.2%	NA	NA

Source: Deutsche Bank estimates, Company Reports



Figure 4: WETF Income Statement Forecast (\$mn)

CONSOLIDATED INCOME STATEMENT	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E	2020E
Operating Revenues:								
Advisory fees	227,775	58,756	73,778	72,212	73,363	278,108	298,547	307,714
Other income	7,440	148	997	1,039	1,065	3,249	4,556	4,654
Total operating revenues	235,215	58,904	74,775	73,250	74,428	281,357	303,103	312,368
Operating Expenses:								
Compensation & benefits	81,493	18,832	19,301	18,885	19,133	76,150	74,795	74,371
Fund management & administration	42,144	10,912	14,621	14,605	14,106	54,244	57,513	59,989
Contractual gold payments			2,715	2,940	2,940	8,596	11,761	11,761
Marketing & advertising	14,402	3,195	3,778	4,144	4,885	16,001	18,196	19,332
Sales & business development	13,811	3,813	4,503	4,548	4,674	17,538	19,470	21,417
Professional & consulting fees	5,254	1,636	1,560	1,463	1,435	6,095	6,371	6,762
Occupancy, communications & equipment	5,415	1,363	1,574	1,600	1,627	6,165	6,473	6,848
Depreciation & amortization	1,395	355	337	337	337	1,366	1,444	1,516
Third-party distribution fees	3,393	1,725	1,666	1,696	1,826	6,913	7,930	8,712
Acquisition payment & restructuring charges	4,832	2,062	7,928	974	593	11,557	-	-
Other	7,068	1,790	2,261	1,850	1,868	7,769	8,246	8,658
Total operating expenses	179,207	45,683	60,244	53,043	53,424	212,394	212,200	219,367
<i>memo: third party costs to advisory fees</i>		2.94%	2.26%	2.35%	2.49%	2.49%	2.66%	2.83%
Operating income	56,008	13,221	14,531	20,207	21,004	68,963	90,903	93,002
Interest expense		1	(2,356)	(2,356)	(2,356)	(7,067)	(9,465)	(9,465)
Interest income	2,860	962	612	618	624	2,816	2,845	2,873
Other gains/(losses)	(676)	(262)	9,397	-	-	9,135	-	-
Income before income taxes	58,192	13,922	22,184	18,469	19,272	73,848	84,283	86,410
Income tax expense	30,993	4,498	5,460	5,448	5,685	21,092	24,864	25,491
Extraordinary items aftertax	(944)	(1,851)	2,409	(687)	(418)	(546)		
Net income	27,199	9,424	16,724	13,021	13,587	52,756	59,420	60,919
Basic EPS	\$0.20	\$0.07	\$0.11	\$0.09	\$0.09	\$0.36	\$0.39	\$0.40
Diluted EPS	\$0.20	\$0.07	\$0.10	\$0.09	\$0.09	\$0.35	\$0.39	\$0.40
Operating continuing ops diluted EPS	\$0.21	\$0.08	\$0.09	\$0.09	\$0.09	\$0.35	\$0.39	\$0.40
Wtd-avg basic shares outstanding (in mn)	134.6	135.3	149.1	152.1	152.1	147.2	152.1	152.1
Wtd-avg diluted shares outstanding	135.9	136.5	163.3	153.1	153.1	151.5	153.1	153.1
EOP shares outstanding	137.0	137.8	153.1	153.1	153.1	153.1	153.1	153.1

Source: Deutsche Bank estimates, Company Reports



Figure 5: WETF Key Metrics Forecast (\$mn)

CONSOLIDATED INCOME STATEMENT	2017	1Q18	2Q18	3Q18E	4Q18E	2018E	2019E	2020E
KEY OPERATING METRICS								
Basic:								
Effective tax rate (GAAP)	53.3%	32.3%	24.6%	29.5%	29.5%	28.6%	29.5%	29.5%
Effective tax rate (non-GAAP)	53.3%	32.3%	29.2%	29.5%	29.5%	28.6%	29.5%	29.5%
Dividends per share	\$0.32	\$0.03	\$0.03	\$0.03	\$0.03	\$0.12	\$0.12	\$0.16
Dividend payout ratio	159.6%	43.4%	29.3%	35.3%	33.8%	34.8%	30.9%	40.2%
Preferred dividends	-	-	-	-	-	-	-	-
Earnings Measures:								
GAAP EPS	\$0.20	\$0.07	\$0.10	\$0.09	\$0.09	\$0.35	\$0.39	\$0.40
Non-GAAP EPS	\$0.21	\$0.08	\$0.09	\$0.09	\$0.09	\$0.35	\$0.39	\$0.40
EBITDA	59,587	14,277	23,067	21,163	21,965	80,472	95,192	97,391
EBITDA p.s.	\$0.44	\$0.10	\$0.14	\$0.14	\$0.14	\$0.53	\$0.62	\$0.64
Operating Cash Flow p.s.	\$0.00	\$0.10	\$0.12	\$0.07	\$0.08	\$0.37	\$0.37	\$0.38
Profitability:								
Pretax operating margin	23.8%	25.9%	30.0%	28.9%	29.0%	28.6%	30.0%	29.8%
Pretax operating margin on net revenue	23.8%	25.9%	30.0%	28.9%	29.0%	28.6%	30.0%	29.8%
EBITDA margin on net revenue	25.3%	24.2%	30.8%	28.9%	29.5%	28.6%	31.4%	31.2%
Operating expenses/mgmt fees	78.7%	77.8%	81.7%	73.5%	72.8%	76.4%	71.1%	71.3%
Total comp/net revenue ratio	34.6%	32.0%	25.8%	25.8%	25.7%	27.1%	24.7%	23.8%
Asset mgmt revenue yield	0.505%	0.500%	0.483%	0.476%	0.473%	0.488%	0.463%	0.454%
Operating income/avg AuM (annlzd)	0.124%	0.112%	0.095%	0.133%	0.135%	0.121%	0.141%	0.137%
Net income/AuM (annlzd)	0.060%	0.080%	0.109%	0.086%	0.088%	0.093%	0.092%	0.090%
Return on equity (ROE)	13.6%	19.5%	19.5%	10.6%	11.0%	14.2%	12.1%	12.5%
Return on tangible equity	14.5%	21.0%	-527.8%	-24.6%	-26.3%	-102.7%	-87.8%	-29.6%
Balance Sheet:								
EOP Assets	254,985	239,990	902,098	903,892	907,227	907,227	911,516	916,004
EOP Equity	192,951	201,605	485,892	489,088	489,285	489,285	490,724	483,961
Tangible Equity (EOP)	179,067	187,777	(213,191)	(206,929)	(203,681)	(203,681)	(202,242)	(209,005)
EOP Long-term Debt	-	-	193,407	193,407	193,407	193,407	193,407	193,407
Book value per share	\$1.41	\$1.46	\$3.17	\$3.19	\$3.19	\$3.19	\$3.20	\$3.16
Tangible book value per share	\$1.31	\$1.36	-\$1.39	-\$1.35	-\$1.33	-\$1.33	-\$1.32	-\$1.36
Net cash per share (net of debt)	\$0.40	\$0.77	-\$0.80	-\$0.78	-\$0.75	-\$0.75	-\$0.73	-\$0.70
Debt/EBITDA	0.0x	0.0x	2.1x	2.3x	2.2x	2.4x	2.0x	2.0x
Equity/Assets	75.7%	84.0%	53.9%	54.1%	53.9%	53.9%	53.8%	52.8%
Total capital return ratio (div + repo)	190.0%	51.6%	31.7%	47.8%	46.2%	43.0%	91.7%	105.4%
Key Fundamental Drivers:								
Assets under mgmt (AuM)	48,937	44,961	59,971	60,416	62,742	62,742	66,183	69,484
sequential growth rate (%)	18.6%	-8.1%	33.4%	0.7%	3.9%	28.2%	5.5%	5.0%
Avg assets under mgmt	45,065	47,724	61,301	60,194	61,579	57,023	64,463	67,834
sequential growth rate (%)	7.4%	-0.7%	28.4%	-1.8%	2.3%	26.5%	13.0%	5.2%
Net flows to AuM	991	(2,214)	(1,256)	(1,307)	480	(4,298)	3,441	3,300
Organic growth rate	2.4%	-4.5%	-2.8%	-2.2%	0.8%	-8.8%	5.5%	5.0%
Market/FX contribution	6,688	(1,761)	(1,375)	1,753	1,846	463	-	-
% sequential change	16.2%	-3.6%	-3.1%	2.9%	3.1%	0.9%	0.0%	0.0%
Acquired AuM	-	-	17,641	-	-	17,641	-	-
% sequential contribution	-	-	39.2%	-	-	36.0%	-	-

Source: Deutsche Bank estimates, Company Reports



Investment Thesis

Outlook

WETF has successfully branded itself as a smart-beta self-indexer in the growing ETF landscape. Organic growth has been primarily driven by currency hedged ETF products which have volatile flows given the tactical nature of their investor base. While we are positive on the longer-term growth trajectory of WETF's smaller, more asset allocation-focused smart beta products, we think that it will take a substantial amount of time & resources to become substantial enough flow contributors to be a positive catalyst for the stock. Thus, given the significant valuation premium versus the S&P 500, we view the stock as fairly valued.

Valuation

We value the traditional asset manager stocks by assigning a P/E (relative to the S&P 500) on our 2019 EPS estimates a year from now, based on assigning a premium or discount to the stock's historical relative P/E (vs. the S&P 500), less net excess cash on the balance sheet. Our PT is driven by our view for WETF to trade at an overall 50% P/E premium to the S&P 500, given its differentiated business model in the fast growing ETF industry.

Risks

Downside risks are: 1) weakening US dollar that could spur HEDJ and DXJ outflows; 2) sharp market downturn that materially reduces AuM; 3) increased pricing competition in smart beta ETF products; & 4) investor perception that WETF will remain independent in perpetuity. Upside risks are: 1) a pickup in smart beta industry flows relative to pure beta products, 2) a strengthening US dollar that could spur HEDJ and DXJ inflows, 3) increased flows from expanded international distribution channel through ETF Securities acquisition, & 4) any indication from other management teams of interest in acquiring an ETF provider.



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
WisdomTree Investments	WETF.OQ	9.29 (USD) 26 Jul 18	NA

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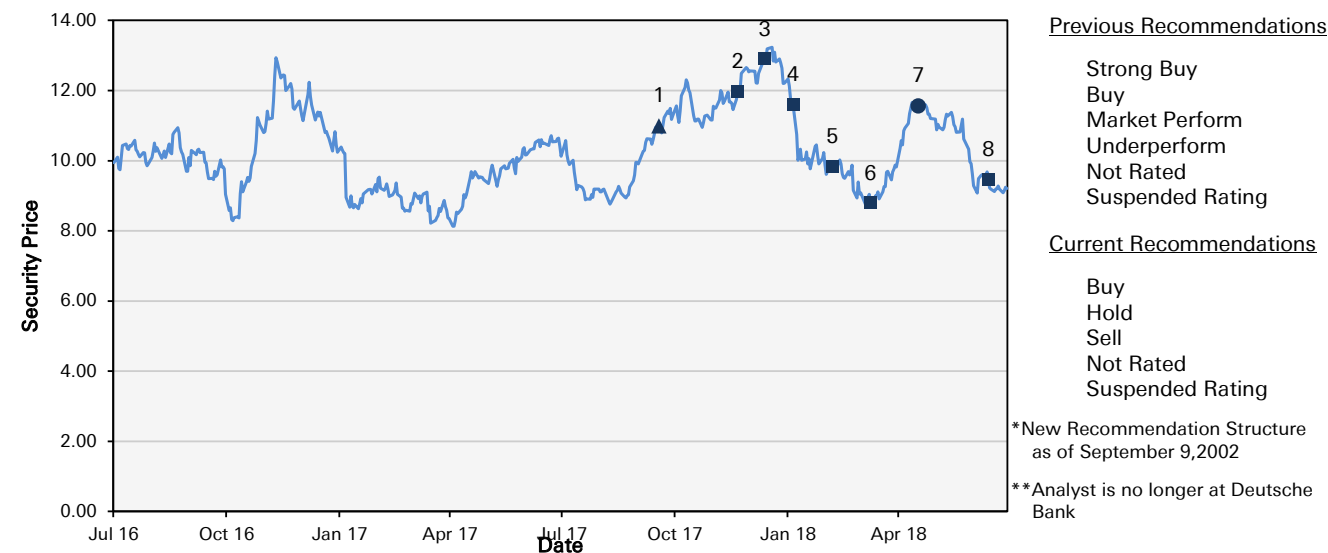
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Historical recommendations and target price: WisdomTree Investments (WETF.OQ)

(as of 7/26/2018)



1. 10/16/2017: Upgrade to Buy, Target Price Change USD13.00 David Unger, CFA**	5. 03/06/2018: Buy, Target Price Change USD13.00 Brian Bedell
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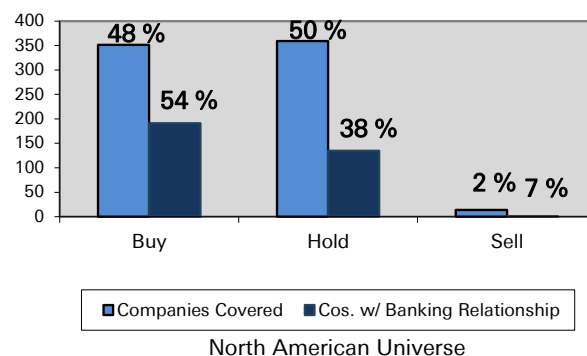
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

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