As filed with the Securities and Exchange Commission on January 30, 2012.

Registration No. 333-177346

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

WisdomTree Investments, Inc.

(Exact Name of Registrant As Specified in Its Charter)

Delaware	**6221**	**13-3487784**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

380 Madison Avenue, 21st Floor

New York, New York 10017

(212) 801-2080

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Jonathan L. Steinberg

Chief Executive Officer

WisdomTree Investments, Inc.

380 Madison Avenue, 21st Floor

New York, New York 10017

(212) 801-2080

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer x(Do not check if a smaller reporting company)	Smaller Reporting Company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Offering Price per Share(2)**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
Common Stock, $0.01 par value per share	16,516,587	$6.31	$104,219,661.45	$11,943.57(3)

(1) Includes 2,154,336 shares of common stock that the underwriters have an option to purchase.
(2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) under the Securities Act, as amended, and is based on the average of the high and low prices of the registrant s common stock on January 27, 2012.

(3) $11,460.00 has been previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated January 30, 2012

PROSPECTUS

14,362,251 Shares

WisdomTree Investments, Inc.

Common Stock

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

Our shares trade on the NASDAQ Global Market under the symbol WETF. On January 27, 2012, the closing price of our shares as reported by the Nasdaq Global Market was $6.31 per share.

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

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to selling shareholders	$	$

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

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

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

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley**

Barclays Capital **Citigroup** **UBS Investment Bank**

Piper Jaffray **Sandler O Neill + Partners, L.P.** **Sterne Agee**

The date of this prospectus is , 2012.

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

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

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

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PROSPECTUS SUMMARY

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

Our Company

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

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

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

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

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

ETFs and Our Industry

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

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

U.S. ETF Industry AUM

(in billions)

Source: Investment Company Institute, Bloomberg, WisdomTree.

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

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

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

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

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

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

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

Our Competitive Strengths

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

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

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

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

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

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

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

Our Growth Strategies

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

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

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

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

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

Risk Factors

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

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

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

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

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

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

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

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

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

Recent Developments

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

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

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

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

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

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

Litigation

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

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

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

Our Corporate Information

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

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THE OFFERING

Common stock offered by us	1,000,000 shares
Common stock offered by the selling stockholders	13,362,251 shares
Common stock to be outstanding after this offering	121,281,104 shares
Underwriters option to purchase additional shares	The underwriters have an option to purchase up to an additional 2,154,336 shares of common stock from certain of the selling stockholders. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds of approximately $5,820,000 from the sale by us of shares of our common stock in this offering based upon an assumed public offering price of $6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), including proceeds of approximately $388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See the section entitled Use of Proceeds.
Conflict of interest	Jonathan L. Steinberg, our Chief Executive Officer and one of the selling stockholders, holds a general securities license and, like all members of our sales force, is associated with the distributor of our ETFs, Alps Distributors, Inc., a broker-dealer subject to FINRA regulations. Because more than five percent of the net offering proceeds will be received by Mr. Steinberg upon the sale of his shares, a conflict of interest is deemed to exist under FINRA Rule 5121. This offering is being conducted in compliance with the applicable provisions of Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter (as such term is defined in Rule 5121) is not necessary in connection with this offering, as the members primarily responsible for managing the public offering do not have a conflict of interest, are not affiliates of any member that has a conflict of interest, and meet the requirements of paragraph (f)(12)(E) of Rule 5121.
NASDAQ symbol	WETF

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

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

- 17,274,788 shares of our common stock issuable upon exercise of outstanding options as of December 31, 2011 at a weighted-average exercise price of $0.93 per share; and
- 5,555,359 shares of our common stock reserved as of December 31, 2011 for future issuance under our equity incentive plans that are not issued or subject to outstanding grants.

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

- no exercise of outstanding options after December 31, 2011; and
- no exercise by the underwriters of their option to purchase up to an additional 2,154,336 shares of our common stock.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

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

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

(1)

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

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	As of December 31,			As of September 30, 2011	
	2008	2009	2010 (in thousands)	Actual	As adjusted(1)(2)
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 13,275	$ 11,476	$ 14,233	$ 21,052	$ 26,872
Total assets	$ 34,856	$ 25,703	$ 29,142	$ 37,905	$ 43,725
Total liabilities	$ 12,800	$ 9,675	$ 11,907	$ 14,849	$ 14,849
Stockholders equity	$ 22,056	$ 16,028	$ 17,235	$ 23,056	$ 28,876

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

(1) The as adjusted consolidated balance sheet data gives effect to (i) the sale of 1,000,000 shares of our common stock in this offering at the assumed public offering price of $6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the issuance of 3,577,826 shares of our common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt by us of the aggregate exercise price for such options.

(2) A $0.25 increase (decrease) in the assumed public offering price of $6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders equity by approximately $0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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RISK FACTORS

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

Risks Related to Our Business and Our Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to BNY Mellon, we depend on other third-party vendors to provide us with many services that are critical to operating our business, including a third-party provider of index calculation services for our indexes, a distributor of the WisdomTree ETFs and a third-party provider of indicative values of the portfolios of the WisdomTree ETFs. The failure of these key vendors to provide us and the WisdomTree ETFs with these services could lead to operational issues and result in financial loss to us and WisdomTree ETF shareholders.

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

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

Competitive fee pressures could reduce revenue and profit margins.

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

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

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

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

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

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

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

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

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

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

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

Damage to our reputation could adversely affect our business.

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

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

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

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

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

- continuing to retain, motivate and manage our existing employees and attract and integrate new employees;
- developing, implementing and improving our operational, financial, accounting, reporting and other internal systems and controls on a timely basis; and
- maintaining and developing our various support functions including human resources, information technology, legal and corporate communications.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- pay third-party infringement claims;
- discontinue selling the particular funds subject to infringement claims;
- discontinue using the processes subject to infringement claims;
- develop other intellectual property or products not subject to infringement claims, which could be time-consuming and costly or may not be possible; or
- license the intellectual property from the third party claiming infringement, which license may not be available on commercially reasonable terms.

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

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

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

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

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

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

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

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

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

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

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

- failure to achieve financial or operating objectives;
- failure to integrate successfully and in a timely manner any operations, products, services or technology;
- diversion of the attention of management and other personnel;
- failure to obtain necessary regulatory, shareholder or other approvals;
- failure to retain personnel;
- failure to obtain any necessary financing on acceptable terms or at all;
- unforeseen liabilities or expenses;
- failure of counterparties to indemnify us against liabilities arising from such transactions;

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

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- accounting charges;
- unfavorable market conditions that could negatively impact the acquired or combined businesses; and
- legal proceedings, including lawsuits brought by stockholders of us or the counterparties which may result in expenses and/or have a material adverse effect on our business.

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

Risks Relating to our Common Stock and this Offering

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

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

- decreases in our assets under management;
- variations in our quarterly operating results;
- differences between our actual financial operating results and those expected by investors and analysts;
- publication of research reports about us or the investment management industry;
- changes in expectations concerning our future financial performance and the future performance of the ETF industry and the asset management industry in general, including financial estimates and recommendations by securities analysts;
- our strategic moves and those of our competitors, such as acquisitions or consolidations;
- changes in the regulatory framework of the ETF industry and the asset management industry in general and regulatory action, including action by the SEC to lessen the regulatory requirements or shortening the process to obtain regulatory relief under the Investment Company Act that is necessary to become an ETF sponsor;
- changes in general economic or market conditions; and
- realization of any other of the risks described elsewhere in this section.

In addition, stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. Furthermore, in the past, market fluctuations and price declines in a company s stock have led to securities class action litigations or other derivative shareholder lawsuits. If such a suit were to arise, it could cause substantial costs to us and divert our resources regardless of the outcome.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a classified Board of Directors;
- limitations on the removal of directors;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our Board of Directors to make, alter or repeal our amended and restated by-laws; and
- the authority of our Board of Directors to issue preferred stock with such terms as our Board of Directors may determine.

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

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

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

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- anticipated trends, conditions and investor sentiment in the global markets;
- anticipated levels of inflows into and outflows out of our exchange traded funds;
- our ability to deliver favorable rates of return to investors;
- our ability to develop new products and services;
- our ability to maintain current vendors or find new vendors to provide services to us at favorable costs;
- competition in our business; and
- the effect of laws and regulations that apply to our business.

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

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 1,000,000 shares of our common stock in this offering by us will be approximately $5,820,000 based upon an assumed public offering price of $6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), including proceeds of approximately $388,000 from the exercise of stock options by certain selling stockholders in connection with this offering, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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

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

A $0.25 increase (decrease) in the assumed public offering price of $6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders equity by approximately $0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

DIVIDEND POLICY

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

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CAPITALIZATION

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

- on an actual basis; and

- on a pro forma basis to give effect to (1) our sale in this offering of 1,000,000 shares of our common stock at an assumed public offering price of $6.31 per share (the closing price of our common stock as reported on The NASDAQ Global Market on January 27, 2012), and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, (2) the issuance of 3,577,826 shares of common stock upon the exercise of options held by certain selling stockholders in connection with this offering and the receipt of the aggregate exercise price for such options and (3) the application of the net proceeds we will receive from this offering in the manner described under Use of Proceeds.

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

	As of September 30, 2011 (Unaudited) (in thousands)	
	Actual	Pro Forma(1)
Cash, cash equivalents and short-term investments	$ 21,052	$ 26,872
Stockholders equity (deficit):		
Preferred stock, $0.01 par value, 2,000,000 authorized:		
Common stock; $0.01 par value, 250,000,000 shares authorized, actual; 250,000,000 shares authorized, pro forma; 115,962,511 shares issued and outstanding (including unvested restricted stock), actual; 120,540,337 shares issued and outstanding, pro forma	$ 1,159	$ 1,205
Additional paid-in capital	161,847	167,621
Accumulated deficit	(139,950)	(139,950)
Total stockholders equity	23,056	28,876
Total capitalization	$ 37,905	$ 43,725

(1) A $0.25 increase (decrease) in the assumed public offering price of $6.31 per share would increase (decrease) the amount of cash and cash equivalents, total assets and stockholders equity by approximately $0.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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SELECTED CONSOLIDATED 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 prospectus and our consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated statements of operations data presented below under the heading Consolidated Statements of Operations Data for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data presented below under the heading Consolidated Balance Sheet Data as of December 31, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data presented below under the headings Consolidated Statements of Operations Data for the years ended December 31, 2006 and 2007 and under Consolidated Balance Sheet Data as of December 31, 2006 and 2007, have been derived from our consolidated financial statements not included in this prospectus. The selected consolidated statements of operations data presented below under the heading Consolidated Statements of Operations Data for the nine months ended September 30, 2010 and 2011 and the selected consolidated balance sheet data presented below under the heading Consolidated Balance Sheet Data as of September 30, 2011, have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

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

	Years Ended December 31,					Nine Months Ended September 30,	
	2006	2007	2008	2009	2010	2010	2011
	(in thousands, except share and per share data)						
Consolidated Statements of Operations Data:							
Revenues:							
ETF advisory fees	$ 1,740	$ 18,158	$ 21,643	$ 20,812	$ 40,567	$ 27,456	$ 48,341
Other income	435	2,761	1,968	1,283	1,045	743	644
Total revenues	2,175	20,919	23,611	22,095	41,612	28,199	48,985
Expenses:							
Compensation and benefits	11,971	21,465	20,338	18,943	19,193	14,260	14,912
Fund management and administration	3,178	11,082	14,772	13,387	14,286	10,272	14,991
Marketing and advertising	2,788	6,434	5,875	2,762	3,721	2,331	3,240
Sales and business development	717	1,611	3,642	2,495	2,730	1,972	2,612
Professional and consulting fees	1,822	3,249	1,871	1,780	3,779	2,526	3,922
Occupancy, communication and equipment	525	1,010	1,564	1,087	1,118	829	846
Depreciation and amortization	36	78	337	360	314	235	200
Third party sharing arrangements			(320)	89	2,296	1,485	4,434
Other	481	1,120	2,577	2,420	1,724	1,258	1,625
Total expenses	21,518	46,049	50,656	43,323	49,161	35,168	46,782
Income/(loss) before provision for income taxes	(19,343)	(25,130)	(27,045)	(21,228)	(7,549)	(6,969)	2,203
Provision for income taxes							1,013
Tax benefit							(1,013)
Net income/(loss)	$ (19,343)	$ (25,130)	$ (27,045)	$ (21,228)	$ (7,549)	$ (6,969)	$ 2,203

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

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

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

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

Executive Summary

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

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

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

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

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

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

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

Market Environment

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

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

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

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

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

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

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

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Recent Developments

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

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

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

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

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

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

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Historical Net ETF Inflows and AUM

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

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

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

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

Components of Revenue

ETF advisory fees

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

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

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

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

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

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

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Other income

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

Components of Expenses

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

Compensation and benefits

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

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

Fund management and administration

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

- portfolio management of our ETFs (sub-advisory);
- fund accounting and administration;
- custodial services;
- accounting and tax services;
- printing and mailing of stockholder materials;
- index calculation;

distribution fees;

legal and compliance services;

- exchange listing fees;
- trustee fees and expenses;
- preparation of regulatory reports and filings;
- insurance; and
- other administrative services.

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

Marketing and advertising

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

- advertising, public relations and product promotion campaigns that are initiated to promote our existing and new ETFs as well as brand awareness;
- development and maintenance of our website; and
- creation and preparation of marketing materials.

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

Sales and business development

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

- travel and entertainment or conference related expenses for our sales force;
- market data services for our research team;

sales related software tools; and

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

Professional and consulting fees

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

Also included in professional fees is stock based compensation related to restricted stock or option awards we granted to senior advisers to our Board of Directors. Under generally accepted accounting principles, these awards are considered variable expenses and are re-measured each reporting period with a corresponding impact to stockholders equity. As such, this expense may fluctuate based upon the market price of our common stock.

Occupancy, communications and equipment

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

Depreciation and amortization

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

Third-party sharing arrangements

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

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

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

Other

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

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

Future Outlook on Expenses

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

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

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

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

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

Seasonality

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

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Key Operating Statistics

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

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

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

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

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Nine Months Ended September 30, 2011 compared to September 30, 2010

Overview

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

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

Revenues

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

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

ETF advisory fees

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

Other income

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

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Expenses

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

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

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

Compensation and benefits

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

Fund management and administration

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

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

Marketing and advertising

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

Sales and business development

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

Professional and consulting fees

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

Occupancy, communications and equipment

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

Depreciation and amortization

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

Third-party sharing arrangements

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

Other

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

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Year Ended December 31, 2010 Compared to December 31, 2009

Overview

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

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

Revenues

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

ETF advisory fees

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

Other income

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

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Expenses

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

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

Compensation and benefits

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

Fund management and administration

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

Marketing and advertising

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

Sales and business development

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

Professional and consulting fees

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

Occupancy, communications and equipment

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

Depreciation and amortization

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

Third-party sharing arrangements

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

Other

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

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Year Ended December 31, 2009 Compared to December 31, 2008

Overview

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

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

Revenues

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

ETF advisory fees

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

Other income

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

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Expenses

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

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

Compensation and benefits

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

Fund management and administration

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

Marketing and advertising

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

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Sales and business development

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

Professional and consulting fees

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

Occupancy, communications and equipment

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

Depreciation and amortization

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

Third-party sharing arrangements

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

Other

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

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

(in thousands)	**Q3/09**	**Q4/09**	**Q1/10**	**Q2/10**	**Q3/10**	**Q4/10**	**Q1/11**	**Q2/11**	**Q3/11**
Revenues									
ETF advisory fees	$ 5,536	$ 7,428	$ 8,467	$ 9,129	$ 9,860	$ 13,111	$ 14,273	$ 16,514	$ 17,554
Other income	285	303	247	226	270	302	260	202	182
Total revenues	5,821	7,731	8,714	9,355	10,130	13,413	14,533	16,716	17,736
Expenses									
Compensation and benefits	5,153	4,775	5,255	4,600	4,405	4,933	5,217	4,610	5,085
Fund management and administration	3,317	3,674	3,397	3,306	3,569	4,014	4,162	5,736	5,093
Marketing and advertising	452	1,288	1,160	426	745	1,390	972	1,357	911
Sales and business development	661	813	460	746	766	758	745	913	954
Professional and consulting fees	432	631	1,024	707	795	1,253	1,359	1,090	1,473
Occupancy, communication and equipment	283	249	267	289	273	289	273	285	288
Depreciation and amortization	88	88	77	78	80	79	65	67	68
Third party sharing arrangements	62	(36)	240	636	609	811	1,128	1,512	1,794
Other	361	1,281	426	427	405	466	457	457	711
Total expenses	10,809	12,763	12,306	11,215	11,647	13,993	14,378	16,027	16,377
Net income/(loss)	($ 4,988)	($ 5,032)	($ 3,592)	($ 1,860)	($ 1,517)	($ 580)	$ 155	$ 689	$ 1,359

	Q3/09	**Q4/09**	**Q1/10**	**Q2/10**	**Q3/10**	**Q4/10**	**Q1/11**	**Q2/11**	**Q3/11**
Percent of Revenues									
Revenues									
ETF advisory fees	95.1%	96.1%	97.2%	97.6%	97.3%	97.7%	98.2%	98.8%	99.9%
Other income	4.9%	3.9%	2.8%	2.4%	2.7%	2.3%	1.8%	1.2%	0.1%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses									
Compensation and benefits	88.5%	61.8%	60.3%	49.2%	43.5%	36.8%	35.9%	27.6%	28.7%
Fund management and administration	57.0%	47.5%	39.0%	35.3%	35.2%	29.9%	28.6%	34.3%	28.7%
Marketing and advertising	7.8%	16.7%	13.3%	4.6%	7.4%	10.4%	6.7%	8.1%	5.1%
Sales and business development	11.4%	10.5%	5.3%	8.0%	7.6%	5.7%	5.1%	5.5%	5.4%
Professional and consulting fees	7.4%	8.2%	11.8%	7.6%	7.8%	9.3%	9.4%	6.5%	8.3%
Occupancy, communication and equipment	4.9%	3.2%	3.1%	3.1%	2.7%	2.2%	1.9%	1.7%	1.6%
Depreciation and amortization	1.5%	1.1%	0.9%	0.8%	0.8%	0.6%	0.4%	0.4%	0.4%
Third party sharing arrangements	1.1%	(0.5%)	2.8%	6.8%	6.0%	6.0%	7.8%	9.0%	10.1%
Other	6.2%	16.6%	4.9%	4.6%	4.0%	3.5%	3.1%	2.7%	4.0%
Total expenses	185.7%	165.1%	141.2%	119.9%	115.0%	104.3%	98.9%	95.9%	92.3%
Net income/(loss)	(85.7%)	(65.1%)	(41.2%)	(19.9%)	(15.0%)	(4.3%)	1.1%	4.1%	7.7%

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

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	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11
Emerging Markets Equity ETFs (in millions)									
Beginning of period assets	$ 759	$ 1,119	$ 1,431	$ 1,738	$ 1,728				