



# **Annual Management Report of Fund Performance**

For the year ended December 31, 2018

## **WisdomTree U.S. Quality Dividend Growth Index ETF (DGR/DGR.B)**

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the ETF. You can obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-866-893-TREE (8733), by writing to us at 161 Bay Street, 27<sup>th</sup> floor, Toronto, ON M5J 2S1 or by visiting our website at [www.wisdomtree.com](http://www.wisdomtree.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# WisdomTree U.S. Quality Dividend Growth Index ETF

## Annual Management Report of Fund Performance

For the year ended December 31, 2018

### MANAGEMENT REPORT OF FUND PERFORMANCE

WisdomTree Asset Management Canada, Inc. (“WisdomTree”) is pleased to provide you with the Annual Management Report of Fund Performance (“MRFP”) for the WisdomTree U.S. Quality Dividend Growth Index ETF (the “ETF”) for the year ended December 31, 2018. The ETF trades on the Toronto Stock Exchange (the “TSX”) under the ticker symbols DGR (Hedged Units) and DGR.B (Non-Hedged Units).

WisdomTree is the trustee, manager and promoter of the ETF. Mellon Investments Corporation (the “Investment Advisor”) is the investment advisor to the ETF.

### Investment Objectives and Strategies

The investment objective of the ETF is to track, to the extent possible, the price and yield performance of the WisdomTree U.S. Quality Dividend Growth Index CAD (the “Index”), before fees and expenses. The Index is a fundamentally weighted index designed to provide exposure to dividend-paying U.S. companies with growth characteristics.

The investment strategy of the ETF is to invest in and hold a proportionate share of the constituent securities of the Index, or other securities, to track the price and yield performance of the Index. The ETF uses derivative instruments to hedge the U.S. dollar exposure of the securities attributable to the Hedged Units to the Canadian dollar. Any U.S. dollar exposure of the securities attributable to the Non-Hedged Units will not be hedged to the Canadian dollar.

### Risk

No material changes were made which affected the overall level of risk associated with an investment in the ETF for the year ended December 31, 2018. The overall level of risk associated with an investment in the ETF remains as disclosed in the most recent prospectus.

### Results of Operations

For the 12 months ended December 31, 2018, the Non-Hedged Units returned 2.33% versus the Index return of 2.75%. The Hedged Units returned -7.04% versus the -6.78% return of their benchmark index, WisdomTree U.S. Quality Dividend Growth Index CAD-Hedged. The difference in performance of the Non-Hedged Units and Hedged Units relative to their respective benchmark indexes is related to management fees and other miscellaneous factors.

The U.S. equity market, as measured by the S&P 500 Index, returned -4.38% in U.S. dollar terms and 4.23% in Canadian dollar terms for the 12-month period ended December 31, 2018. The period was characterized by significant market volatility, particularly in the fourth quarter. At the end of the period, the S&P 500 erased its 9 months gain of 10.56% to end 2018 down 4.38%. This was the first calendar year loss for the index since the 2008 financial crisis. Positive returns through the third quarter were driven by robust corporate profit and economic growth, aided by the benefit of U.S. corporate tax reform. Key drivers of the broad fourth quarter sell-off included: concerns about the sustainability of U.S. corporate earnings growth, U.S. credit quality, as well as concerns about slowing global economic growth and trade. During the period, the Federal Reserve also raised the benchmark rate four times, equating to a cumulative increase of 100bps in 2018. In the last 6 months of 2018, the Consumer Price Index decreased from its 2018 peak. Meanwhile, U.S. inflation expectations, as measured by the difference between the nominal and real 10-year U.S. Treasury yields, fell below the 2% threshold — a signal from the market that further rate increases in late 2018 and beyond may not be warranted.

Defensive, domestic-focused sectors like Healthcare and Utilities outperformed the S&P 500 Index returning 6.47% and 4.11%, respectively. Energy, Materials, Industrials, and Financials which are more sensitive to domestic and global economic growth, underperformed the S&P 500 Index returning -18.10%, -14.70%, -13.32%, -13.04%, respectively. During this time growth stocks outperformed value stocks. The ETF faced tailwinds as the portfolio was overweight Healthcare by about 4%, and underweight Financials by about 5% relative to the S&P 500 Index.

The U.S. dollar strengthened in 2018 driven by strong economic growth and rising interest rates; the U.S. dollar gained approximately 8.48% to the Canadian dollar over the period. The performance of the Hedged Units and Non-Hedged Units diverged as the strengthening of the U.S. dollar acted as a tailwind to the returns of the Non-Hedged Units.

### RECENT DEVELOPMENTS

There have not been any material changes to the management of the ETF. In 2018, WisdomTree published the investment risk level for each WisdomTree ETF, in accordance with the investment risk classification methodology prescribed by National Instrument 81-102 — *Investment Funds*. The ETF's investment risk level may be found in the prospectus and ETF Facts.

# WisdomTree U.S. Quality Dividend Growth Index ETF

(continued)

As required by National Instrument 81-107 — *Independent Review Committee for Investment Funds* (“NI 81-107”), WisdomTree has established an independent review committee (the “IRC”) to review all conflict of interest matters identified and referred to the IRC by WisdomTree and to give its approval or recommendation, depending on the nature of the conflict of interest matters. Gerry O’Connor and Karen Fisher’s term ended on July 12, 2018 and July 31, 2018, respectively. Leslie Wood and W. William Woods were appointed on August 1, 2018. The current members of the IRC for the WisdomTree ETFs are as follows:

Name	Municipality of Residence
Leslie Wood	Pickering, Ontario
W. William Woods	Toronto, Ontario
Anthony Cox <sup>1</sup>	Toronto, Ontario

<sup>1</sup> Chair of the IRC

## RELATED PARTY TRANSACTIONS

WisdomTree is the trustee, manager and promoter of the ETF and is responsible for the administration of the WisdomTree ETFs. Each WisdomTree ETF pays the manager a management fee (see “Management Fees” below).

### Management Fees

The ETF pays WisdomTree a management fee as set forth in the table below based on the average daily net asset value of the ETF. The management fee, plus applicable taxes, is accrued daily and paid monthly in arrears. WisdomTree may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

	Management Fee Rate
WisdomTree U.S. Quality Dividend Growth Index ETF	
Hedged Units	0.38%
Non-Hedged Units	0.35%

# WisdomTree U.S. Quality Dividend Growth Index ETF

(continued)

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about each class of the ETF and is intended to help you understand its financial performance for the periods indicated.

Hedged Units	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Period July 12, 2016* through December 31, 2016
<b>NET ASSETS PER UNIT<sup>1,2</sup></b>			
Net assets, beginning of period	\$ 25.51	\$ 20.59	\$ 20.00
Increase (decrease) from operations			
Total revenue	0.72	0.53	0.28
Total expenses	(0.22)	(0.17)	(0.08)
Realized gains (losses) for the period	(0.69)	3.01	(0.33)
Unrealized gains (losses) for the period	(1.56)	2.18	0.75
Total increase (decrease) from operations	(1.75)	5.55	0.62
Distributions			
From income (excluding dividends)	(0.48)	(0.33)	(0.13)
From dividends	—	—	—
From capital gains	—	(0.55)	—
Return of capital	—	—	(0.00) <sup>3</sup>
Total annual distributions <sup>4</sup>	(0.48)	(0.88)	(0.13)
Net assets at end of period	\$ 23.25	\$ 25.51	\$ 20.59
<b>RATIOS AND SUPPLEMENTAL DATA</b>			
Total net asset value (000's) <sup>5</sup>	\$19,863	\$17,965	\$10,297
Number of units outstanding (000's) <sup>5</sup>	854	704	500
Management expense ratio <sup>6</sup>	0.43%	0.42%	0.47%
Management expense ratio before waivers or absorptions <sup>6</sup>	0.44%	0.45%	0.47%
Trading expense ratio <sup>7</sup>	0.00% <sup>8</sup>	0.01%	0.01%
Portfolio turnover rate <sup>9</sup>	32%	46%	26%
Net asset value per unit	\$ 23.25	\$ 25.51	\$ 20.59
Closing market price	\$ 23.17	\$ 25.62	\$ 20.80

\* Commencement of operations.

<sup>1</sup> This information is derived from the ETF's audited financial statements.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

<sup>3</sup> Amount represents less than \$0.005.

<sup>4</sup> Distributions were either paid in cash or reinvested in additional units of the ETF, or both. Reinvested units were consolidated.

<sup>5</sup> This information is provided as at December 31 of the year shown.

<sup>6</sup> The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average daily net asset value during the period. MER includes the waiver or absorption of certain operating expenses by WisdomTree, while the MER before waivers or absorptions shows the MER prior to operating expenses being waived or absorbed by WisdomTree.

<sup>7</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

<sup>8</sup> Amount represents less than 0.005%.

<sup>9</sup> The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. The higher a portfolio's turnover rate in a period, the greater the trading costs payable by the ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

# WisdomTree U.S. Quality Dividend Growth Index ETF

(continued)

## FINANCIAL HIGHLIGHTS (concluded)

Non-Hedged Units	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Period July 12, 2016* through December 31, 2016
<b>NET ASSETS PER UNIT<sup>1,2</sup></b>			
Net assets, beginning of period	\$ 24.53	\$ 21.12	\$ 20.00
Increase (decrease) from operations			
Total revenue	0.73	0.52	0.28
Total expenses	(0.20)	(0.17)	(0.08)
Realized gains (losses) for the period	0.46	1.76	0.31
Unrealized gains (losses) for the period	(0.76)	1.91	0.76
Total increase (decrease) from operations	0.23	4.02	1.27
Distributions			
From income (excluding dividends)	(0.46)	(0.33)	(0.13)
From dividends	—	—	—
From capital gains	(0.36)	(0.43)	(0.02)
Return of capital	—	(0.00) <sup>3</sup>	(0.00) <sup>3</sup>
Total annual distributions <sup>4</sup>	(0.82)	(0.76)	(0.15)
Net assets at end of period	\$ 24.65	\$ 24.53	\$ 21.12
<b>RATIOS AND SUPPLEMENTAL DATA</b>			
Total net asset value (000's) <sup>5</sup>	\$65,324	\$23,306	\$10,559
Number of units outstanding (000's) <sup>5</sup>	2,650	950	500
Management expense ratio <sup>6</sup>	0.37%	0.40%	0.44%
Management expense ratio before waivers or absorptions <sup>6</sup>	0.38%	0.42%	0.44%
Trading expense ratio <sup>7</sup>	0.00% <sup>8</sup>	0.01%	0.01%
Portfolio turnover rate <sup>9</sup>	32%	46%	26%
Net asset value per unit	\$ 24.65	\$ 24.53	\$ 21.12
Closing market price	\$ 24.42	\$ 24.96	\$ 21.20

\* Commencement of operations.

<sup>1</sup> This information is derived from the ETF's audited financial statements.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

<sup>3</sup> Amount represents less than \$0.005.

<sup>4</sup> Distributions were either paid in cash or reinvested in additional units of the ETF, or both. Reinvested units were consolidated.

<sup>5</sup> This information is provided as at December 31 of the year shown.

<sup>6</sup> The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average daily net asset value during the period. MER includes the waiver or absorption of certain operating expenses by WisdomTree, while the MER before waivers or absorptions shows the MER prior to operating expenses being waived or absorbed by WisdomTree.

<sup>7</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

<sup>8</sup> Amount represents less than 0.005%.

<sup>9</sup> The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. The higher a portfolio's turnover rate in a period, the greater the trading costs payable by the ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

# WisdomTree U.S. Quality Dividend Growth Index ETF

(continued)

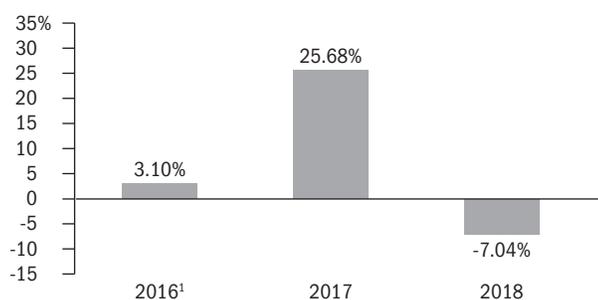
## PAST PERFORMANCE

The ETF's performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. These returns do not indicate how each class of the ETF will perform in the future.

### Year-by-Year Returns

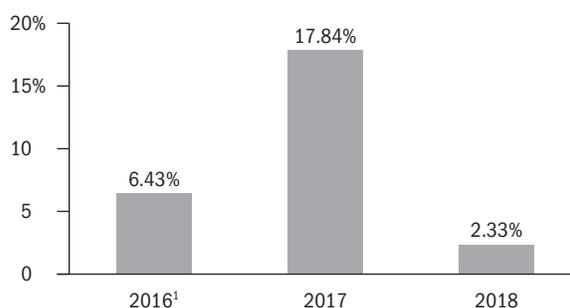
The following bar chart shows the performance of the ETF for each of the financial years shown. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period.

Hedged Units



<sup>1</sup> For the period July 12, 2016 (commencement of operations) through December 31, 2016.

Non-Hedged Units



<sup>1</sup> For the period July 12, 2016 (commencement of operations) through December 31, 2016.

### Annual Compound Returns

The following table compares the historical annual compound returns of the ETF with those of its benchmark.

Period Ended December 31, 2018

	1 Year	Since Inception
<b>Hedged Units</b>		
WisdomTree U.S. Quality Dividend Growth Index ETF	-7.04%	7.82%
WisdomTree U.S. Quality Dividend Growth Index CAD-Hedged	-6.78%	8.31%
NASDAQ U.S. Dividend Achievers Select Index CAD-Hedged (TR)	-3.28%	7.29%
<b>Non-Hedged Units</b>		
WisdomTree U.S. Quality Dividend Growth Index ETF	2.33%	10.61%
WisdomTree U.S. Quality Dividend Growth Index CAD	2.75%	11.29%
NASDAQ U.S. Dividend Achievers Select Index CAD (TR)	6.85%	10.43%

# WisdomTree U.S. Quality Dividend Growth Index ETF

(concluded)

## SUMMARY OF INVESTMENT PORTFOLIO

### Sector Breakdown† as at 12/31/18

Sector	% of Net Asset Value
Information Technology	20.0%
Industrials	18.2%
Consumer Staples	12.7%
Health Care	11.7%
Consumer Discretionary	10.4%
Financials	9.5%
Communication Services	8.3%
Energy	6.9%
Materials	2.5%
Real Estate	0.1%
Other Assets less Liabilities‡	(0.3)%
<b>Total</b>	<b>100.0%</b>

† The ETF's sector breakdown is expressed as a percentage of net asset value and may change over time. In addition, a sector may be comprised of several industries. It does not include derivatives (if any).

‡ Other assets include investment of cash collateral for securities on loan (if any).

### Top 25 Holdings\* as at 12/31/18

Description	% of Net Asset Value
Exxon Mobil Corp.	4.8%
Verizon Communications, Inc.	4.7%
Microsoft Corp.	4.4%
Apple, Inc.	4.4%
Wells Fargo & Co.	3.9%
AbbVie, Inc.	3.3%
Procter & Gamble Co. (The)	3.3%
Altria Group, Inc.	2.7%
PepsiCo, Inc.	2.5%
International Business Machines Corp.	2.3%
Intel Corp.	2.3%
Home Depot, Inc. (The)	2.2%
Boeing Co. (The)	1.9%
UnitedHealth Group, Inc.	1.6%
Comcast Corp.	1.6%
3M Co.	1.5%
Bristol-Myers Squibb Co.	1.3%
Texas Instruments, Inc.	1.2%
Walt Disney Co. (The)	1.2%
United Parcel Service, Inc.	1.2%
Eli Lilly & Co.	1.2%
CVS Health Corp.	1.1%
Honeywell International, Inc.	1.1%
Union Pacific Corp.	1.1%
United Technologies Corp.	1.1%
<b>Top holdings as a percentage of net asset value</b>	<b>57.9%</b>

\* Excludes derivatives and investment of cash collateral for securities on loan (if any).

**Total Net Asset Value: \$85,186,383**

The Summary of Investment Portfolio may change because of the ETF's ongoing portfolio transactions. Updates are available quarterly.



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**For more information, please contact us:**

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**Forward-Looking Statement**

This report may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent certain beliefs regarding future events. By their nature, forward-looking statements involve assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on any forward-looking statements contained in this report as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF's prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Because of the potential impact of these factors, WisdomTree Asset Management Canada, Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

"WisdomTree" is a marketing name used by WisdomTree Investments, Inc. and its affiliates globally. WisdomTree Asset Management Canada, Inc., a wholly-owned subsidiary of WisdomTree Investments, Inc., is the manager and trustee of the WisdomTree ETFs listed for trading on the Toronto Stock Exchange.