



# **Annual Management Report of Fund Performance**

December 31, 2016

## **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 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 period ended December 31, 2016

### MANAGEMENT REPORT OF FUND PERFORMANCE

WisdomTree Asset Management Canada, Inc. (“WisdomTree”) is pleased to provide you with the Management Report of Fund Performance (“MRFP”) for the WisdomTree U.S. Quality Dividend Growth Index ETF (the “ETF”) for the period ended December 31, 2016. 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 WisdomTree ETFs. Mellon Capital Management Corporation (the “Investment Advisor”) is the investment advisor to the WisdomTree ETFs.

### 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 period ended December 31, 2016. The overall level of risk associated with an investment in the ETF remains as disclosed in the prospectus dated July 6, 2016.

### Results of Operations

From the ETF’s inception to December 31, 2016, the ETF operated in accordance with its investment objective of tracking the Index. Additionally, the Index did not undergo methodology or strategy changes during that period.

The U.S. equity market, as measured by the S&P 500 Index, returned 11.96% in U.S. dollar terms and 8.09% in Canadian dollar terms for the 12-month period ended December 31, 2016. While the early part of 2016 saw multiple bouts of volatility associated with fears of a U.S. recession and slower growth, the market went on to set new all-time highs as those concerns faded. The most significant event of the year was the U.S. presidential election where Donald Trump’s pledges for tax reform and infrastructure spending spurred a significant stock market rally following the election. The two best performing sectors since the ETF’s inception on July 12, 2016 to December 31, 2016, were financials and information technology, up 24% and 10% respectively. Conversely, the two worst performing sectors were consumer staples and health care, both down between 5% and 6%. This proved to be a headwind for the ETF as the portfolio was significantly underweight financials by about 10% and overweight consumer staples by about 7% relative to the S&P 500 Index.

Additionally, the U.S. dollar strengthened following the election driven by higher U.S. sovereign debt yields. Particularly in the time following the ETF’s inception, the U.S. dollar appreciated against the Canadian dollar by more than 4.5%. The performance of the Hedged Units and Non-Hedged Units diverged as the strengthening 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. 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. The current members of the IRC for WisdomTree ETFs are as follows:

Name	Municipality of Residence
Karen Fisher <sup>1</sup>	Newcastle, Ontario
Gerry O’ Connor	Woodbridge, Ontario
Steven Rostovsky	Thornhill, Ontario

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

### RELATED PARTY TRANSACTIONS

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

# WisdomTree U.S. Quality Dividend Growth Index ETF

(continued)

## Management Fees

The ETF pays WisdomTree a management fee as set forth in the table below based on the average daily net assets 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%

## 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 period ended December 31, 2016.

	For the Period July 12, 2016* through December 31, 2016
<b>Hedged Units</b>	
<b>NET ASSETS PER UNIT<sup>1</sup></b>	
Net assets, beginning of period	\$ 20.00
Increase (decrease) from operations	
Total revenue	0.28
Total expenses	(0.08)
Realized gains (losses) for the period	(0.33)
Unrealized gains (losses) for the period	0.75
Total increase (decrease) from operations <sup>2</sup>	0.62
Distributions	
From income (excluding dividends)	(0.13)
From dividends	–
From capital gains	–
Return of capital	(0.00) <sup>3</sup>
Total annual distributions <sup>4</sup>	(0.13)
Net assets at end of period	\$ 20.59
<b>RATIOS AND SUPPLEMENTAL DATA</b>	
Total net asset value (000's) <sup>5</sup>	\$10,297
Number of units outstanding (000's) <sup>5</sup>	500
Management expense ratio <sup>6</sup>	0.47%
Trading expense ratio <sup>7</sup>	0.01%
Portfolio turnover rate <sup>8</sup>	26%
Net asset value per unit	\$ 20.59
Closing market price	\$ 20.80

\* Commencement of operations.

<sup>1</sup> This information is derived from the ETF's audited annual 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, 2016.

<sup>6</sup> Management expense ratio 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.

<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> 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)

	For the Period July 12, 2016* through December 31, 2016
<b>Non-Hedged Units</b>	
<b>NET ASSETS PER UNIT<sup>1</sup></b>	
Net assets, beginning of period	\$ 20.00
Increase (decrease) from operations	
Total revenue	0.28
Total expenses	(0.08)
Realized gains (losses) for the period	0.31
Unrealized gains (losses) for the period	0.76
Total increase (decrease) from operations <sup>2</sup>	1.27
Distributions	
From income (excluding dividends)	(0.13)
From dividends	—
From capital gains	(0.02)
Return of capital	(0.00) <sup>3</sup>
Total annual distributions <sup>4</sup>	(0.15)
Net assets at end of period	\$ 21.12
<b>RATIOS AND SUPPLEMENTAL DATA</b>	
Total net asset value (000's) <sup>5</sup>	\$10,559
Number of units outstanding (000's) <sup>5</sup>	500
Management expense ratio <sup>6</sup>	0.44%
Trading expense ratio <sup>7</sup>	0.01%
Portfolio turnover rate <sup>8</sup>	26%
Net asset value per unit	\$ 21.12
Closing market price	\$ 21.20

\* Commencement of operations.

<sup>1</sup> This information is derived from the ETF's audited annual 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, 2016.

<sup>6</sup> Management expense ratio 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.

<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> 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)

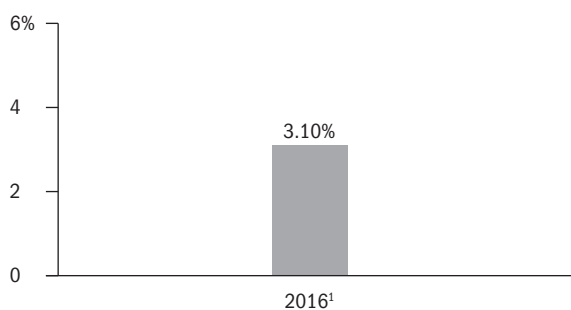
## PAST PERFORMANCE

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

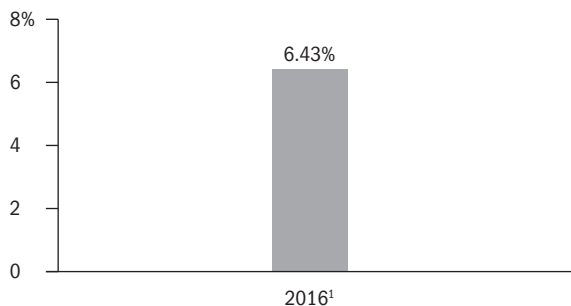
The following bar chart shows the performance of the ETF for the period. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period.

#### 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. Please note that because the ETF has been in existence for less than one year, the table compares the total returns for the period shown, rather than the historical annual compound returns.

### Total Returns

Period Ended December 31, 2016

	Since Inception <sup>1</sup>
<b>Non-Hedged Units</b>	
WisdomTree U.S. Quality Dividend Growth Index ETF	6.43%
WisdomTree U.S. Quality Dividend Growth Index CAD	6.71%
NASDAQ U.S. Dividend Achievers™ Select Index CAD	4.68%
<b>Hedged Units</b>	
WisdomTree U.S. Quality Dividend Growth Index ETF	3.10%
WisdomTree U.S. Quality Dividend Growth Index CAD-Hedged	3.74%
NASDAQ U.S. Dividend Achievers™ Select Index CAD-Hedged	1.14%

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

# WisdomTree U.S. Quality Dividend Growth Index ETF

(concluded)

## SUMMARY OF INVESTMENT PORTFOLIO

### Sector Breakdown† as of 12/31/16

Sector	% of Net Assets
Information Technology	20.2%
Health Care	19.0%
Industrials	18.6%
Consumer Discretionary	17.2%
Consumer Staples	15.6%
Financials	4.9%
Materials	3.9%
Energy	0.5%
Real Estate	0.1%
Other Assets less Liabilities‡	0.0%*
<b>Total</b>	<b>100.0%</b>

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

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

\* Represents less than 0.1%.

### Top 25 Holdings\* as of 12/31/16

Description	% of Net Assets
Johnson & Johnson	5.8%
Apple, Inc.	3.5%
Microsoft Corp.	3.4%
Altria Group, Inc.	3.2%
PepsiCo, Inc.	2.9%
AbbVie, Inc.	2.8%
Home Depot, Inc. (The)	2.2%
International Business Machines Corp.	2.1%
Cisco Systems, Inc.	2.1%
McDonald's Corp.	2.0%
Amgen, Inc.	2.0%
Intel Corp.	2.0%
3M Co.	1.8%
Boeing Co. (The)	1.8%
Reynolds American, Inc.	1.7%
Comcast Corp.	1.7%
Bristol-Myers Squibb Co.	1.7%
Walt Disney Co. (The)	1.6%
Eli Lilly & Co.	1.6%
UnitedHealth Group, Inc.	1.6%
United Technologies Corp.	1.4%
United Parcel Service, Inc.	1.4%
Lockheed Martin Corp.	1.4%
Honeywell International, Inc.	1.3%
Union Pacific Corp.	1.3%
<b>Top holdings as a percentage of net asset value</b>	<b>54.3%</b>

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

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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**Redemption of Securities**

Units of the ETF are listed for trading on the TSX and may be purchased or sold through the facilities of the TSX on any day that the TSX is open for business. You may also redeem (sell) your units of the ETF on any Trading Day (as defined in the ETF's prospectus), generally any day that the TSX is open for business, for the lesser of (i) 95% of the closing price for the units on the TSX on the effective day of the redemption, and (ii) the net asset value per unit on the effective day of the redemption.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by WisdomTree from time to time must be delivered to the applicable WisdomTree ETF at its registered office by 9:00 a.m. (Toronto time) on the Trading Day. If a cash redemption request is not received by the delivery deadline on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Payment of the redemption price will be made by no later than the third Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer. Investors that redeem Units prior to the distribution record date for any distribution will not be entitled to receive that distribution.

For complete information regarding the redemption privileges, including pricing, please see the ETF's most recent prospectus at [www.sedar.com](http://www.sedar.com)

**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.