

A capital gain is the profit that results from selling a capital asset, such as a stock, for more than was paid to acquire it. All funds which elect to be treated as regulated investment companies (RICs) are required by IRS regulations to distribute their capital gains (as well as any investment income such as dividends and interest) to shareholders at least annually. All WisdomTree's Digital Funds are treated as RICs. Capital gain and income distributions are subject to tax (if not held in tax-deferred accounts such as IRAs).

The Digital Funds may incur capital gains due to but not limited to:

- Selling investments to rebalance the portfolio.
- Selling investments to meet redemptions in markets.
- Realizing gains on securities, such as securitized debt and senior loan securities, and derivative instruments, such as options or forwards.

In order to offset current or future capital gains, funds may take steps to seek to generate capital losses, such as implementing any redemptions in whole or in part in cash to sell securities that generate a loss. If gains are realized toward the end of a fund's fiscal year, the fund has less time to seek to take any such actions. All RICs are required by IRS regulations to distribute substantially all of their net investment income and capital gains to shareholders at least annually. Also, funds are subject to an "excise tax" unless they distribute by calendar year-end substantially all of their capital gains incurred during the twelve-month period ending October 31st – so if gains are realized close to October 31st, the fund has less time to seek to take actions that might reduce gains.

The tax consequences of Fund distributions vary by individual taxpayer. You should consult your tax professional or financial advisor for more information regarding your tax situation.