

THE YIELD CURVE'S CRYSTAL BALL IS SHAKY

But It's Saying Avoid High Beta Stocks

It's going to be a yield curve summer.

Inversions—when 10-Year Treasury yields go lower than those of 2-Year Treasuries—have a recession-predicting track record that has become something of legend in Wall Street circles.

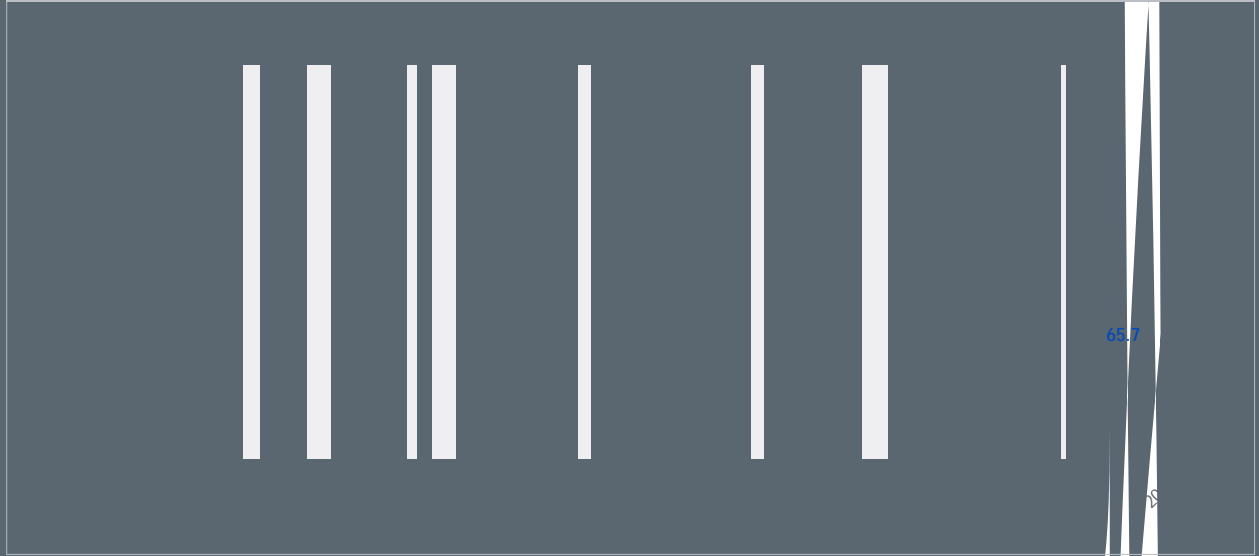
The reason: having longer-duration bonds trade at lower yields than nearer-term securities is counterintuitive and rare. When it happens, it is a signal that something is awry in the economy.

The much-feared day arrived on March 29; when yield curve inversion moved the matter of this

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Figure 2: University of Michigan Consumer Sentiment Index



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Figure 3: S&P 500 Low Volatility Index Relative to S&P 500 High Beta Index



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Glossary:

Beta: A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark. **Cyclical stocks:** Refers to stocks in the Consumer Discretionary, Energy, Industrials, Materials, Financials and Information Technology sectors. **Duration:** A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up. **Duration curve:** The graphical representation of the trend in interest rates as it relates to the length of the loan. The plots on the graph will have an interest rate for a specific loan period, usually 2, 5, 10, or 30 years. **Factor-based indices:** Rules-based indexes that capture the returns of systematic factors that have historically earned a persistent premium over long periods of time—such as Value, Low Size, Low Volatility, High Growth. **Inverted yield curve:** An interest rate environment in which short-term rates are higher than long-term rates.

mid and large. **Recession:** Two consecutive quarters of negative GDP growth, characterized generally by a slow economic growth and high unemployment. **Smart beta:** A term for rules-based investment strategies that don't use conventional market-cap weightings. **Standard deviation:** The measure of how widely an investment or investment strategy's returns move relative to its average returns for an observed period. A higher value implies more "risk", in that there is more of a chance the actual return observed is farther away from the average return. **Supply chain:** In commerce, a supply chain is a system within organizations, people, activities, information and resources involved in supplying a product or service to a consumer. **Treasury yield:** The return on investment, expressed as a percentage, on the debt obligations of the U.S. government.

are asked. **Volatility:** A measure of the dispersion of actual returns around a particular average level. **Yield:** The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value. **Yield curve:** Graphical depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.

Index Definitions:

Nasdaq Composite Index: The market capitalization-weighted index of more than 2,500 common equities listed on the Nasdaq stock exchange. **Russell 1000 Index:** A measure of the performance of the 1,000 largest companies by market capitalization in the Russell 3000 Index. **Russell 1000 Value Index:** A measure of the large-cap value segment of the U.S. equity universe, selected from the Russell 1000 Index. **S&P 500 High Beta Index:** An index measuring the performance of 100 constituents in the S&P 500 that are most sensitive to changes in market returns. The index is designed for investors initiating a bullish strategy or making a directional bet on current markets. **S&P 500 Index:** A market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee, designed to represent the performance of the leading industries in the United States economy. **S&P 500 Low Volatility Index:** An index that measures performance of the 100 least volatile stocks in the S&P 500.

Important Information

Investors should consider the investment objectives, risks, charges and expenses of the Funds carefully before investing. A prospectus containing this and other information is available by calling 866.909.9473 or visiting www.wisdomtree.com. Investors should read the prospectus carefully before investing.

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