UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission File Number 001-10932

WisdomTree Investments, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**13-3487784** **(IRS Employer Identification No.)**
245 Park Avenue, 35th Floor **New York, New York** **(Address of principal executive offices)**	**10167** **(Zip Code)**

212-801-2080
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**WETF**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 27, 2021, there were 145,105,371 shares of the registrant’s Common Stock, $0.01 par value per share, outstanding.

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WISDOMTREE INVESTMENTS, INC.

Form 10-Q
For the Quarterly Period Ended June 30, 2021

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Unless otherwise indicated, references to "the Company," "we," "us," "our" and "WisdomTree" mean WisdomTree Investments, Inc. and its subsidiaries.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs 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," "anticipates," "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 our 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" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. If one or more of these or other 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 Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or the SEC, as exhibits to this Report, 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 Report may include statements about:

- the ultimate duration of the COVID-19 pandemic and its short-term and long-term impact on our business and the global economy;
- anticipated trends, conditions and investor sentiment in the global markets and exchange traded products, or ETPs;
- anticipated levels of inflows into and outflows out of our ETPs;
- our ability to deliver favorable rates of return to investors;
- competition in our business;
- 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;
- our ability to successfully operate and expand our business in non-U.S. markets; and
- the effect of laws and regulations that apply to our business.

The forward-looking statements in this Report represent our views as of the date of this Report. 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 Report.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WisdomTree Investments, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Per Share Amounts)

	June 30, 2021 (unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 167,635	$ 73,425
Securities owned, at fair value (including $21,330 and $23,932 invested in WisdomTree ETFs at June 30, 2021 and December 31, 2020, respectively)	58,806	34,895
Accounts receivable (including $31,679 and $26,884 due from related parties at June 30, 2021 and December 31, 2020, respectively)	34,800	29,455
Income taxes receivable	948	—
Prepaid expenses	6,327	3,827
Other current assets	288	259
Total current assets	268,804	141,861
Fixed assets, net	7,247	7,579
Indemnification receivable (Note 20)	22,427	27,016
Securities held-to-maturity	370	451
Deferred tax assets, net	5,628	8,063
Investments (Note 7)	14,238	8,112
Right of use assets – operating leases (Note 13)	16,213	16,327
Goodwill (Note 22)	85,856	85,856
Intangible assets (Note 22)	601,247	601,247
Other noncurrent assets	348	180
Total assets	$1,022,378	$ 896,692
Liabilities and stockholders' equity		
Liabilities		
Current liabilities:		
Fund management and administration payable	$ 18,592	$ 19,564
Compensation and benefits payable	15,447	22,803
Deferred consideration – gold payments (Note 9)	16,101	17,374
Operating lease liabilities (Note 13)	3,326	3,135
Income taxes payable	—	916
Accounts payable and other liabilities	11,318	10,207
Total current liabilities	64,784	73,999
Convertible notes (Note 11)	317,336	166,646
Deferred consideration – gold payments (Note 9)	210,605	212,763
Operating lease liabilities (Note 13)	16,920	17,434
Other noncurrent liabilities (Note 20)	22,427	27,016
Total liabilities	632,072	497,858
Preferred stock – Series A Non-Voting Convertible, par value $0.01; 14.750 shares authorized, issued and outstanding; redemption value of $97,549 and $72,667 at June 30, 2021 and December 31, 2020, respectively) (Note 12)	132,569	132,569
Contingencies (Note 14)		
Stockholders' equity		
Preferred stock, par value $0.01; 2,000 shares authorized:	—	—
Common stock, par value $0.01; 250,000 shares authorized; issued and outstanding: 145,114 and 148,716 at June 30, 2021 and December 31, 2020, respectively	1,451	1,487
Additional paid-in capital	285,002	317,075
Accumulated other comprehensive income	1,155	1,102
Accumulated deficit	(29,871)	(53,399)
Total stockholders' equity	257,737	266,265
Total liabilities and stockholders' equity	$1,022,378	$ 896,692

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating Revenues:				
Advisory fees	$ 75,997	$ 57,208	$ 147,613	$ 120,158
Other income	1,606	918	2,820	1,842
Total revenues	77,603	58,126	150,433	122,000
Operating Expenses:				
Compensation and benefits	20,331	17,455	42,958	34,750
Fund management and administration	16,195	14,461	31,716	28,946
Marketing and advertising	3,594	1,949	6,600	4,417
Sales and business development	2,159	2,181	4,304	5,598
Contractual gold payments (Note 9)	4,314	4,063	8,584	7,823
Professional fees	1,921	1,357	3,934	2,630
Occupancy, communications and equipment	1,266	1,643	2,741	3,194
Depreciation and amortization	256	251	508	507
Third-party distribution fees	2,130	1,340	3,473	2,695
Acquisition and disposition-related costs	—	33	—	416
Other	1,752	1,596	3,323	3,593
Total operating expenses	53,918	46,329	108,141	94,569
Operating income	23,685	11,797	42,292	27,431
Other Income/(Expenses):				
Interest expense	(2,567)	(2,044)	(4,863)	(4,463)
Gain/(loss) on revaluation of deferred consideration – gold payments (Note 9)	497	(23,358)	3,329	(25,566)
Interest income	225	119	456	282
Impairments (Note 13 and 23)	—	—	(303)	(19,672)
Loss on extinguishment of debt (Note 10)	—	(2,387)	—	(2,387)
Other gains and losses, net	49	1,819	(5,844)	(688)
Income/(loss) before income taxes	21,889	(14,054)	35,067	(25,063)
Income tax expense/(benefit)	4,259	(804)	2,290	(3,175)
Net income/(loss)	$ 17,630	$ (13,250)	$ 32,777	$ (21,888)
Earnings/(loss) per share—basic	$ 0.11	$ (0.09)	$ 0.20	$ (0.15)
Earnings/(loss) per share—diluted	$ 0.11	$ (0.09)	$ 0.20	$ (0.15)
Weighted-average common shares—basic	145,542	151,623	145,652	152,071
Weighted-average common shares—diluted	164,855	151,623	163,062	152,071
Cash dividends declared per common share	$ 0.03	$ 0.03	$ 0.06	$ 0.06

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income/(Loss)
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net income/(loss)	$ 17,630	$ (13,250)	$ 32,777	$ (21,888)
Other comprehensive income/(loss)				
Reclassification of foreign currency translation adjustment to other gains and losses, net, upon the sale of WisdomTree Asset Management Canada, Inc. (“WTAMC” or “Canadian ETF business”) (Note 23)	—	—	—	(167)
Foreign currency translation adjustment, net of income taxes	170	168	53	(518)
Other comprehensive income/(loss)	170	168	53	(685)
Comprehensive income/(loss)	$ 17,800	$ (13,082)	$ 32,830	$ (22,573)

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity
(In Thousands)
(Unaudited)

	For the Three Months Ended June 30, 2021					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance—April 1, 2021	149,811	$1,498	$ 314,274	$ 985	$ (42,573)	$274,184
Restricted stock issued and vesting of restricted stock units, net	(134)	(2)	2	—	—	—
Shares repurchased	(4,631)	(46)	(31,830)	—	—	(31,876)
Exercise of stock options, net	68	1	435	—	—	436
Stock-based compensation	—	—	2,121	—	—	2,121
Other comprehensive income	—	—	—	170	—	170
Dividends	—	—	—	—	(4,928)	(4,928)
Net income	—	—	—	—	17,630	17,630
Balance—June 30, 2021	145,114	$1,451	$ 285,002	$ 1,155	$ (29,871)	$257,737

	For the Three Months Ended June 30, 2020					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance—April 1, 2020	156,424	$1,564	$ 349,495	$ 92	$ (26,382)	$324,769
Restricted stock issued and vesting of restricted stock units, net	110	1	(1)	—	—	—
Shares repurchased	(6,738)	(67)	(24,882)	—	—	(24,949)
Stock-based compensation	—	—	2,920	—	—	2,920
Allocation of equity component related to convertible notes, net of issuance costs of $128 and deferred taxes of $1,017	—	—	3,008	—	—	3,008
Other comprehensive income	—	—	—	168	—	168
Dividends	—	—	(5,134)	—	—	(5,134)
Net loss	—	—	—	—	(13,250)	(13,250)
Balance—June 30, 2020	149,796	$1,498	$ 325,406	$ 260	$ (39,632)	$287,532

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Continued)
(In Thousands)
(Unaudited)

	For the Six Months Ended June 30, 2021					
	Common Stock					
	Shares Issued	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance—January 1, 2021	148,716	$1,487	$ 317,075	$ 1,102	$ (53,399)	$266,265
Reclassification of equity component related to convertible notes, net deferred taxes of $1,022, upon the implementation of Accounting Standards Update 2020-06 (Note 11)	—	—	(3,682)	—	616	(3,066)
Balance—January 1, 2021 (as adjusted)	148,716	$1,487	$ 313,393	$ 1,102	$ (52,783)	$263,199
Restricted stock issued and vesting of restricted stock units, net	1,376	13	(13)	—	—	—
Shares repurchased	(5,121)	(51)	(34,455)	—	—	(34,506)
Exercise of stock options, net	143	2	813	—	—	815
Stock-based compensation	—	—	5,264	—	—	5,264
Other comprehensive income	—	—	—	53	—	53
Dividends	—	—	—	—	(9,865)	(9,865)
Net income	—	—	—	—	32,777	32,777
Balance—June 30, 2021	145,114	$1,451	$ 285,002	$ 1,155	$ (29,871)	$257,737

	For the Six Months Ended June 30, 2020					
	Common Stock					
	Shares Issued	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance—January 1, 2020	155,264	$1,553	$ 352,658	$ 945	$ (17,744)	$337,412
Restricted stock issued and vesting of restricted stock units, net	1,549	15	(15)	—	—	—
Shares repurchased	(7,124)	(70)	(26,374)	—	—	(26,444)
Exercise of stock options, net	107	—	240	—	—	240
Stock-based compensation	—	—	6,159	—	—	6,159
Allocation of equity component related to convertible notes, net of issuance costs of $128 and deferred taxes of $1,017	—	—	3,008	—	—	3,008
Other comprehensive loss	—	—	—	(685)	—	(685)
Dividends	—	—	(10,270)	—	—	(10,270)
Net loss	—	—	—	—	(21,888)	(21,888)
Balance—June 30, 2020	149,796	$1,498	$ 325,406	$ 260	$ (39,632)	$287,532

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net income/(loss)	$ 32,777	$ (21,888)
Adjustments to reconcile net income/(loss) to net cash (used in)/provided by operating activities:		
Advisory fees received in gold, other precious metals and cryptocurrencies	(39,341)	(29,135)
Contractual gold payments	8,584	7,823
Stock-based compensation	5,264	6,159
(Gain/)/loss on revaluation of deferred consideration – gold payments	(3,329)	25,566
Deferred income taxes	3,367	832
Amortization of right of use asset	1,340	1,588
Amortization of issuance costs – convertible notes	899	115
Depreciation and amortization	508	507
Impairments	303	19,672
Gain on sale – Canadian ETF business	—	(2,877)
Loss on extinguishment of debt	—	2,387
Amortization of issuance costs – former credit facility	—	1,328
Other	(372)	(83)
Changes in operating assets and liabilities:		
Securities owned, at fair value	(23,911)	4,209
Accounts receivable	(2,622)	4,461
Prepaid expenses	(2,497)	(2,016)
Gold, other precious metals and cryptocurrencies	27,959	20,882
Other assets	(202)	(702)
Fund management and administration payable	(896)	1,677
Compensation and benefits payable	(7,396)	(18,431)
Income taxes receivable/payable	(1,852)	(1,046)
Securities sold, but not yet purchased, at fair value	—	(582)
Operating lease liabilities	(1,658)	(1,845)
Accounts payable and other liabilities	858	781
Net cash (used in)/provided by operating activities	(2,217)	19,382
Cash flows from investing activities:		
Purchase of investments	(5,750)	—
Purchase of fixed assets	(173)	(224)
Proceeds from held-to-maturity securities maturing or called prior to maturity	77	16,365
Proceeds from the sale of the Company's financial interests in AdvisorEngine Inc.	—	8,155
Proceeds from sale of Canadian ETF business, net	—	2,774
Net cash (used in)/provided by investing activities	(5,846)	27,070
Cash flows from financing activities:		
Shares repurchased	(34,506)	(26,444)
Dividends paid	(9,865)	(10,270)
Convertible notes issuance costs	(4,297)	(4,611)
Repayment of debt	—	(179,000)
Proceeds from the issuance of convertible notes	150,000	150,000
Proceeds from exercise of stock options	815	240
Net cash provided by/(used in) financing activities	102,147	(70,085)
Increase/(decrease) in cash flow due to changes in foreign exchange rate	126	(1,084)
Increase/(decrease) in cash and cash equivalents	94,210	(24,717)
Cash and cash equivalents—beginning of year	73,425	74,972
Cash and cash equivalents—end of period	$ 167,635	$ 50,255
Supplemental disclosure of cash flow information:		
Cash paid for taxes	$ 5,846	$ 2,200
Cash paid for interest	$ 3,719	$ 3,390

NON-CASH ACTIVITIES

On January 1, 2021, the Company reclassified the equity component related to the convertible notes, net of deferred taxes, reducing accumulated deficit by $616, increasing the carrying value of the convertible notes by $4,088, reducing additional paid in capital by $3,682 and reducing deferred tax liabilities by $1,022, upon the implementation of Accounting Standards Update ("ASU") 2020-06, *Debt – Debt with Conversion and Other Options* (Note 11).

The accompanying notes are an integral part of these consolidated financial statements

WisdomTree Investments, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In Thousands, Except Share and Per Share Amounts)

1. Organization and Description of Business

WisdomTree Investments, Inc., through its global subsidiaries (collectively, "WisdomTree" or the "Company"), is an exchange traded product ("ETP") sponsor and asset manager headquartered in New York. WisdomTree offers ETPs covering equity, commodity, fixed income, leveraged and inverse, currency, cryptocurrency and alternative strategies. The Company has the following wholly-owned operating subsidiaries:

- *WisdomTree Asset Management, Inc.* is a New York based investment adviser registered with the SEC, providing investment advisory and other management services to the WisdomTree Trust ("WTT") and WisdomTree exchange-traded funds ("ETFs"). The WisdomTree ETFs are issued in the U.S. by WTT. WTT, a non-consolidated third party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Company has licensed to WTT the use of certain of its own indexes on an exclusive basis for the WisdomTree ETFs in the U.S.
- *WisdomTree Management Jersey Limited* ("ManJer") is a Jersey based management company providing management services to seven issuers (the "ManJer Issuers") in respect of the ETPs issued and listed by the ManJer Issuers covering commodity, currency, cryptocurrency and leveraged and inverse strategies.
- *WisdomTree Multi Asset Management Limited* ("WTMAML") is a Jersey based management company providing management services to WisdomTree Multi Asset Issuer PLC ("WMAI") in respect of the ETPs issued by WMAI. WMAI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree Management Limited* ("WML") is an Ireland based management company providing management services to WisdomTree Issuer ICAV ("WTI") in respect of the WisdomTree UCITS ETFs issued by WTI. WTI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree UK Limited* ("WTUK") is a United Kingdom based company registered with the Financial Conduct Authority currently providing distribution and support services to ManJer, WTMAML and WML.
- *WisdomTree Europe Limited* is a United Kingdom based company which is the legacy distributor of the WMAI ETPs and WisdomTree UCITS ETFs. These services are now provided directly by WTUK. WisdomTree Europe Limited is no longer regulated and does not provide any regulated services.
- *WisdomTree Ireland Limited* is an Ireland based company authorized by the Central Bank of Ireland providing distribution services to ManJer, WTMAML and WML.
- *WisdomTree Commodity Services, LLC* ("WTCS") is a New York based company that served as the managing owner and commodity pool operator of the WisdomTree Continuous Commodity Index Fund ("GCC") until December 2020 when GCC was reorganized into the WisdomTree Enhanced Commodity Strategy Fund under WTT.

2. Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and in the opinion of management reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of financial condition, results of operations, and cash flows for the periods presented. The consolidated financial statements include the accounts of the Company's wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Consolidation

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity ("VOE") or a variable interest entity ("VIE"). The usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. If the Company has a majority voting interest in a VOE, the entity is consolidated. The Company has a controlling financial interest in a VIE when the Company has a variable interest that provides it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur.

Segment and Geographic Information

The Company, through its subsidiaries in the U.S. and Europe, conducts business as a single operating segment as an ETP sponsor and asset manager which is based upon the Company's current organizational and management structure, as well as information used by the chief operating decision maker to allocate resources and other factors.

Foreign Currency Translation

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated based on the end of period exchange rates from local currency to U.S. dollars. Results of operations are translated at the average exchange rates in effect during the period. The impact of the foreign currency translation adjustment is included in the Consolidated Statements of Comprehensive Income/(Loss) as a component of other comprehensive income/(loss).

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. Actual results could differ materially from those estimates.

Revenue Recognition

The Company earns substantially all of its revenue in the form of advisory fees from its ETPs and recognizes this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs' average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

Contractual Gold Payments

Contractual gold payments are measured and paid monthly based upon the average daily spot price of gold (Note 9).

Marketing and Advertising

Marketing and advertising costs, including media advertising and production costs, are expensed when incurred.

Depreciation and Amortization

Depreciation is provided for using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	5 years
Furniture and fixtures	15 years

Leasehold improvements are amortized over the term of their respective leases or service lives of the improvements, whichever is shorter. Fixed assets are recorded at cost less accumulated depreciation and amortization.

Stock-Based Awards

Accounting for stock-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. Stock-based compensation is measured based on the grant-date fair value of the award and is amortized over the relevant service period. Forfeitures are recognized when they occur.

Third-Party Distribution Fees

The Company pays a percentage of its advisory fee revenues based on incremental growth in assets under management ("AUM"), subject to caps or minimums, to marketing agents to sell WisdomTree ETFs and for including WisdomTree ETFs on third-party customer platforms and recognizes these expenses as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be classified as cash equivalents. The Company maintains deposits with financial institutions in an amount that is in excess of federally insured limits.

Accounts Receivable

Accounts receivable are customer and other obligations due under normal trade terms. The Company measures credit losses, if any, by applying historical loss rates, adjusted for current conditions and reasonable and supportable forecasts to amounts outstanding using the aging method.

Impairment of Long-Lived Assets

The Company performs a review for the impairment of long-lived assets when events or changes in circumstances indicate that the estimated undiscounted future cash flows expected to be generated by the assets are less than their carrying amounts or when other events occur which may indicate that the carrying amount of an asset may not be recoverable.

Securities Owned and Securities Sold, but not yet Purchased (at fair value)

Securities owned and securities sold, but not yet purchased are securities classified as either trading or available-for-sale (“AFS”). These securities are recorded on their trade date and are measured at fair value. All equity securities are classified by the Company as trading. Debt securities are classified based primarily on the Company’s intent to hold or sell the security. Changes in the fair value of debt securities classified as trading and AFS are reported in other income and other comprehensive income, respectively, in the period the change occurs. Debt securities classified as AFS are assessed for impairment on a quarterly basis and an estimate for credit loss is provided when the fair value of the AFS debt security is below its amortized cost basis. Credit-related impairments are recognized in earnings with a corresponding adjustment to the security’s amortized cost basis if the Company intends to sell the impaired AFS debt security or it is more likely than not the Company will be required to sell the security before recovering its amortized cost basis. Other credit-related impairments are recognized as an allowance with a corresponding adjustment to earnings. Impairments resulting from noncredit-related factors are recognized in other comprehensive income. Amounts recorded in other comprehensive income are reclassified into earnings upon sale of the AFS debt security using the specific identification method.

Securities Held-to-Maturity

The Company accounts for certain of its securities as held-to-maturity on a trade date basis, which are recorded at amortized cost. For held-to-maturity securities, the Company has the intent and ability to hold these securities to maturity and it is not more-likely-than-not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be maturity. Held-to-maturity securities are placed on non-accrual status when the Company is in receipt of information indicating collection of interest is doubtful. Cash received on held-to-maturity securities placed on non-accrual status is recognized on a cash basis as interest income if and when received.

The Company reviews its portfolio of held-to-maturity securities for impairment on a quarterly basis, recognizing an allowance, if any, by applying an estimated loss rate after consideration for the nature of collateral securing the financial asset as well as potential future changes in collateral values and historical loss information for financial assets secured with similar collateral.

Investments in pass-through government-sponsored enterprises (“GSEs”) are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee.

Investments

The Company accounts for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed in Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

Goodwill

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. The Company tests goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to the Company's U.S. Business and European Business components. For impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics.

Goodwill is assessed for impairment annually on November 30th. When performing its goodwill impairment test, the Company considers a qualitative assessment, when appropriate, and a quantitative assessment using the market approach and its market capitalization when determining the fair value of the reporting unit.

Intangible Assets

Indefinite-lived intangible assets are tested for impairment at least annually and are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying values.

Finite-lived intangible assets, if any, are amortized over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Company may rely on a qualitative assessment when performing its intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for all of the Company's intangible assets is November 30th.

Leases

The Company accounts for its lease obligations in accordance with Accounting Standards Codification ("ASC") Topic 842, *Leases* (ASC 842), which requires the recognition of both (i) a lease liability equal to the present value of the remaining lease payments and (ii) an offsetting right-of-use asset. The remaining lease payments are discounted using the rate implicit in the lease, if known, or otherwise the Company's incremental borrowing rate. After lease commencement, right-of-use assets are assessed for impairment and otherwise are amortized over the remaining lease term on a straight-line basis. These recognition requirements are not applied to short-term leases which are those with a lease term of 12 months or less. Instead, lease payments associated with short-term leases are recognized as an expense on a straight-line basis over the lease term.

ASC 842 also provides a practical expedient which allows for consideration in a contract to be accounted for as a single lease component rather than allocated between lease and non-lease components. The Company has elected to apply this practical expedient to all lease contracts, where applicable.

Deferred Consideration – Gold Payments

Deferred consideration represents the present value of an obligation to pay gold to a third party into perpetuity and is measured using forward-looking gold prices observed on the CMX exchange, a selected discount rate and perpetual growth rate (Note 9). Changes in the fair value of this obligation are reported as gain/(loss) on revaluation of deferred consideration – gold payments on the Company's Consolidated Statements of Operations.

Convertible Notes

Convertible notes are carried at amortized cost, net of issuance costs. Effective January 1, 2021, the Company early adopted ASU 2020-06 *Debt – Debt with Conversion and Other Options* under the modified retrospective approach. ASU 2020-06 provides for convertible instruments being reported as a single liability (applicable to the convertible notes) or equity with no separate accounting for embedded conversion features unless the conversion feature meets the criteria for accounting under the substantial premium model or does not qualify for a derivative scope exception. Previously, the convertible notes were required to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component was allocated proceeds equal to the estimated fair value of similar debt instruments without the conversion option. The difference between the gross proceeds received from the issuance of the convertible notes and the proceeds allocated to the liability component represented the residual amount that was recorded in additional paid-in capital. Interest expense is recognized using the effective interest method and includes amortization of issuance costs over the life of the debt.

Contingencies

The Company may be subject to reviews, inspections and investigations by regulatory authorities as well as legal proceedings arising in the ordinary course of business. The Company evaluates the likelihood of an unfavorable outcome of all legal or regulatory proceedings to which it is a party and accrues a loss contingency when the loss is probable and reasonably estimable.

Contingent Payments

The Company recognizes contingent payments when the contingency is resolved and the gain is realized.

Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income available to common stockholders represents net income of the Company reduced by an allocation of earnings to participating securities. The Series A non-voting convertible preferred stock (Note 12) and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Share-based payment awards that do not contain such rights are not deemed participating securities and are included in diluted shares outstanding (if dilutive).

Diluted EPS is calculated under the treasury stock method and the two-class method. The calculation that results in the lowest diluted EPS amount for the common stock is reported in the Company's consolidated financial statements. The treasury stock method includes the dilutive effect of potential common shares including unvested stock-based awards, the Series A non-voting convertible preferred stock and the convertible notes, if any. Potential common shares associated with the Series A non-voting convertible preferred stock and the convertible notes are computed under the if-converted method. Potential common shares associated with the conversion option embedded in the convertible notes are dilutive when the Company's average stock price exceeds the conversion price.

Income Taxes

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all the deferred tax assets will not be realized.

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company records interest expense and penalties related to tax expenses as income tax expense.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Reform Act requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to either account for the tax effects of GILTI in the period that is subject to such taxes or to provide deferred taxes for book and tax basis differences that upon reversal may be subject to such taxes. The Company accounts for the tax effects of these provisions in the period that is subject to such tax.

Non-income based taxes are recorded as part of other liabilities and other expenses.

Recently Adopted Accounting Pronouncements

On January 1, 2021, the Company early adopted ASU 2020-06, *Debt – Debt with Conversion and Other Options* (ASU 2020-06) under the modified retrospective approach. Under the ASU, the accounting for convertible instruments was simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments are reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception are removed and, as a result, more equity contracts will qualify for the scope exception. The ASU also simplifies the diluted earnings-per-share calculation in certain areas. Upon the adoption of this ASU, the Company reclassified the equity component related to the convertible notes, net of deferred taxes, reducing accumulated deficit by $616, increasing the carrying value of the convertible notes by $4,088, reducing additional paid-in capital by $3,682 and reducing deferred tax liabilities by $1,022. These updates also reduced interest expense recognized on the Company's convertible notes by approximately $420 per quarter (Note 11).

On January 1, 2021, the Company adopted ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company has determined that the adoption of this standard did not have a material impact on its financial statements.

3. Cash and Cash Equivalents

Substantially all of the Company's cash and cash equivalents was held at three financial institutions on June 30, 2021. Cash equivalents were approximately $81,536 and $660 at June 30, 2021 and December 31, 2020, respectively.

Certain of the Company's international subsidiaries are required to maintain a minimum level of regulatory capital, which was $12,439 and $10,745 at June 30, 2021 and December 31, 2020, respectively. These requirements are generally satisfied by cash on hand.

In addition, the Company collateralized its U.S. office lease through a standby letter of credit totaling $1,384 which is restricted from further use.

4. Fair Value Measurements

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., "the exit price") in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurement*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant drivers are unobservable.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The tables below summarize the categorization of the Company's assets and liabilities measured at fair value. During the three and six months ended June 30, 2021 and 2020 there were no transfers between Levels 2 and 3.

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring fair value measurements:				
Cash equivalents	$ 81,536	$ 81,536	$ —	$ —
Securities owned, at fair value				
ETFs	21,623	21,623	—	—
Pass-through GSEs	35,033	14,981	20,052	—
Corporate bonds	2,150	—	2,150	—
Total	$140,342	$118,140	$22,202	$ —
Non-recurring fair value measurements:				
Securrency, Inc. – Series A convertible preferred stock(1)	$ 8,488	$ —	$ —	$ 8,488
Liabilities:				
Recurring fair value measurements:				
Deferred consideration (Note 9)	$226,706	$ —	$ —	$226,706

(1) Fair value of $8,488 and $8,349 determined on June 9, 2021 and March 8, 2021, respectively (Note 7).

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Recurring fair value measurements:				
Cash equivalents	$ 660	$ 660	$ —	$ —
Securities owned, at fair value				
ETFs	24,165	24,165	—	—
Pass-through GSEs	8,613	—	8,613	—
Corporate bonds	2,117	—	2,117	—
Total	$ 35,555	$24,825	$ 10,730	$ —
Non-recurring fair value measurements:				
AdvisorEngine Inc. ("AdvisorEngine") – Financial interests[1]	$ —	$ —	$ —	$ —
Thesys Group, Inc. ("Thesys") – Series Y Preferred Stock [1]	—	—	—	—
Total	$ —	$ —	$ —	$ —
Liabilities:				
Recurring fair value measurements:				
Deferred consideration (Note 9)	$230,137	$ —	$ —	$230,137
Non-recurring fair value measurements:				
Convertible notes[2]	$170,191	$ —	$170,191	$ —

(1) The fair value of the AdvisorEngine financial interests of $9,592 was determined on May 4, 2020, the date on which these financial interests were sold (Note 23). Thesys was written down to zero on September 30, 2020.

(2) Fair value of $145,847 and $24,344 determined for convertible notes raised on June 16, 2020 and August 13, 2020, respectively (Note 11).

Recurring Fair Value Measurements** - **Methodology

Cash Equivalents (Note 3) – These financial assets represent cash invested in highly liquid investments with original maturities of less than 90 days. These investments are valued at par, which approximates fair value, and are classified as Level 1 in the fair value hierarchy.

Securities Owned (Note 5) – Securities owned are investments in ETFs, pass-through GSEs and corporate bonds. ETFs are generally traded in active, quoted and highly liquid markets and are therefore classified as Level 1 in the fair value hierarchy. Pricing of pass-through GSEs and corporate bonds include consideration given to collateral characteristics and market assumptions related to yields, credit risk and timing of prepayments and are therefore generally classified as Level 2. Pass-through GSE positions invested in through a fund structure with a quoted market price on an exchange are generally classified as Level 1.

Deferred Co
nsideration (Note 9) – Deferred consideration represents the present value of an obligation to pay gold into perpetuity.

The following table presents a reconciliation of beginning and ending balances of recurring fair value measurements classified as Level 3:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Deferred consideration (Note 9)				
Beginning balance	$227,146	$175,300	$230,137	$173,024
Net realized losses/(gains)[1]	4,314	4,063	8,584	7,823
Net unrealized losses/(gains)[2]	(497)	23,358	(3,329)	25,556
Settlements	(4,257)	(3,937)	(8,686)	(7,619)
Ending balance	$226,706	$198,784	$226,706	$198,784

(1) Recorded as contractual gold payments expense on the Company's Consolidated Statements of Operations.

(2) Recorded as gain/(loss) on revaluation of deferred consideration – gold payments on the Company's Consolidated Statements of Operations.

5. Securities Owned

These securities consist of the following:

	June 30, 2021	December 31, 2020
Securities Owned		
Trading securities	$58,806	$ 34,895

The Company recognized net trading gains and losses on securities owned that were still held at the reporting dates of ($272) and $324 during the three months ended June 30, 2021 and 2020, respectively, and ($833) and $105 during the six months ended June 30, 2021 and 2020, respectively.

The Company had no AFS debt securities at June 30, 2021 and December 31, 2020.

6. Securities Held-to-Maturity

The following table is a summary of the Company’s securities held-to-maturity:

	June 30, 2021	December 31, 2020
Debt instruments: Pass-through GSEs (amortized cost)	$ 370	$ 451

During the six months ended June 30, 2021 and 2020, the Company received proceeds of $77 and $16,365, respectively, from held-to-maturity securities maturing or being called prior to maturity.

The following table summarizes unrealized gains, losses and fair value (classified as Level 2 within the fair value hierarchy) of securities held-to-maturity:

	June 30, 2021	December 31, 2020
Cost/amortized cost	$ 370	$ 451
Gross unrealized gains	18	30
Gross unrealized losses	(1)	(12)
Fair value	$ 387	$ 469

An allowance for credit losses was not provided on the Company’s held-to-maturity securities as all securities are investments in pass-through GSEs which are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee.

The following table sets forth the maturity profile of the securities held-to-maturity; however, these securities may be called prior to maturity date:

	June 30, 2021	December 31, 2020
Due within one year	$ —	$ —
Due one year through five years	—	—
Due five years through ten years	—	—
Due over ten years	370	451
Total	$ 370	$ 451

7. Investments

The following table sets forth the Company’s investments:

	June 30, 2021		December 31, 2020	
	Carrying Value	Cost	Carrying Value	Cost
Securrency, Inc. – Series A convertible preferred stock	$ 8,488	$ 8,112	$ 8,112	$8,112
Securrency, Inc. – Series B convertible preferred stock	5,500	5,500	—	—
Subtotal – Securrency, Inc.	$13,988	$13,612	$ 8,112	$8,112
Onramp Invest, LLC – Simple Agreement for Future Equity	250	250	—	—
	$14,238	$13,862	$ 8,112	$8,112

Securrency, Inc. – Preferred Stock

The Company owns approximately 22% (or 18% on a fully-diluted basis) of the capital stock of Securrency, Inc. (“Securrency”), a leading developer of institutional-grade blockchain-based financial and regulatory technology, issued as a result of strategic investments totaling $13,612. In consideration of such investments, the Company received 5,178,488 shares of Series A convertible preferred stock (“Series A Shares”) and 2,004,665 shares of Series B convertible preferred stock (“Series B Shares”). The Series B Shares contain a liquidation preference that is pari passu with shares of Series B-1 convertible preferred stock (which are substantially the same as the Series B Shares except that they have limited voting rights) and senior to that of the holders of the Series A Shares, which are senior to the holders of common stock. Otherwise, the Series A Shares and Series B Shares have substantially the same terms, are convertible into common stock at the option of the Company and contain various rights and protections including a non-cumulative 6.0% dividend, payable if and when declared by the board of directors of Securrency. In addition, the Series A Shares and Series B Shares (together with the Series B-1 convertible preferred stock) are separately redeemable, with respect to all of the shares outstanding of the applicable series of preferred stock (subject to certain regulatory restrictions of certain investors), for the original issue price thereof, plus all declared and unpaid dividends, upon approval by holders of at least 60% of the Series A Shares (at any time on or after December 31, 2029) and 90% of the Series B Shares (at any time on or after March 31, 2031).

The investment is accounted for under the measurement alternative prescribed in ASU 2016-01, as it does not have a readily determinable fair value and is not considered to be in-substance common stock. The investment is assessed for impairment and similar observable transactions on a quarterly basis. During the three and six months ended June 30, 2021, the Company recognized a gain of $139 and $376, respectively, on its Series A Shares, which were re-measured to fair value upon the issuance of Securrency’s Series B Shares. Fair value was determined using the backsolve method, a valuation approach that determines the value of shares for companies with complex capital structures based upon the price paid for shares recently issued. Fair value is allocated across the capital structure using the Black-Scholes option pricing model.

The table below presents the inputs used in backsolve valuation approach (classified as Level 3 in the fair value hierarchy):

	Inputs	
	June 9, 2021	March 8, 2021
Expected volatility	50%	55%
Time to exit (in years)	4.75	5

There was no impairment recognized during the three and six months ended June 30, 2020 based upon a qualitative assessment.

Onramp Invest, LLC

In June 2021, the Company invested $250 in Onramp Invest, LLC (“Onramp”), a technology company that provides access to cryptoassets for registered investment advisers. In consideration for its investment, the Company holds a Simple Agreement for Future Equity (“SAFE”), which provides the Company with the right to be issued certain shares of Onramp’s preferred stock in connection with Onramp’s future equity financing for preferred stock, at a 20% discount to the price per share issued in connection with such equity financing, subject to a pre-determined valuation cap. The preferred stock is issuable upon the occurrence of such preferred equity financing, which would occur after Onramp’s conversion to a corporation.

The investment is accounted for under the measurement alternative prescribed in ASU 2016-01, as it does not have a readily determinable fair value and is not considered to be in-substance common stock. The investment is assessed for impairment and similar observable transactions on a quarterly basis. There was no impairment recognized during the three and six months ended June 30, 2021 based upon a qualitative assessment.

8. Fixed Assets, net

The following table summarizes fixed assets:

	June 30, 2021	December 31, 2020
Equipment	$ 3,039	$ 2,836
Furniture and fixtures	2,225	2,225
Leasehold improvements	11,027	11,012
Less: accumulated depreciation and amortization	(9,044)	(8,494)
Total	$ 7,247	$ 7,579

9. Deferred Consideration

Deferred consideration represents an obligation the Company assumed in connection with its acquisition of the European exchange-traded commodity, currency and leveraged and inverse business of ETFS Capital Limited ("ETFS Capital") which occurred on April 11, 2018 ("ETFS Acquisition"). The obligation is for fixed payments to ETFS Capital of physical gold bullion equating to 9,500 ounces of gold per year through March 31, 2058 and then subsequently reduced to 6,333 ounces of gold continuing into perpetuity ("Contractual Gold Payments").

The Contractual Gold Payments are paid from advisory fee income generated by any Company-sponsored financial product backed by physical gold and are subject to adjustment and reduction for declines in advisory fee income generated by such products, with any reduction remaining due and payable until paid in full. ETFS Capital's recourse is limited to such advisory fee income and it has no recourse back to the Company for any unpaid amounts that exceed advisory fees earned. ETFS Capital ultimately has the right to claw back Gold Bullion Securities Ltd. (a physically backed gold ETP issuer) if the Company fails to remit any amounts due.

The Company determined the present value of the deferred consideration of $226,706 and $230,137 at June 30, 2021 and December 31, 2020 using the following assumptions:

	June 30, 2021	December 31, 2020
Forward-looking gold price (low) – per ounce	$1,772	$ 1,903
Forward-looking gold price (high) – per ounce	$2,927	$ 2,662
Forward-looking gold price (weighted average) – per ounce	$2,109	$ 2,117
Discount rate	9.0%	9.0%
Perpetual growth rate	1.4%	0.9%

The forward-looking gold prices at June 30, 2021 were extrapolated from the last observable CMX exchange price (beyond 2026) and the weighted-average price per ounce was derived from the relative present values of the annual payment obligations. The perpetual growth rate was determined based upon the increase in observable forward-looking gold prices through 2027. This obligation is classified as Level 3 as the discount rate and extrapolated forward-looking gold prices are significant unobservable inputs. An increase in spot gold prices, forward-looking gold prices and the perpetual growth rate would result in an increase in deferred consideration, whereas an increase in the discount rate would reduce the fair value.

Current amounts payable were $16,101 and $17,374 and long-term amounts payable were $210,605 and $212,763, respectively, at June 30, 2021 and December 31, 2020, respectively.

During the three and six months ended June 30, 2021 and 2020, the Company recognized the following in respect of deferred consideration:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Contractual gold payments	$4,314	$ 4,063	$8,584	$ 7,823
Contractual gold payments – gold ounces paid	2,375	2,375	4,750	4,750
Gain/(loss) on revaluation of deferred consideration – gold payments[1]	$ 497	$(23,358)	$3,329	$(25,566)

(1) Gains on revaluation of deferred consideration – gold payments result from a decrease in spot gold prices, a decrease in the forward-looking price of gold, a decrease in the perpetual growth rate and an increase in the discount rate used to compute the present value of the annual payment obligations. Losses on revaluation of deferred consideration – gold payments result from an increase in spot gold prices, an increase in the forward-looking price of gold, an increase in the perpetual growth rate and a decrease in the discount rate used to compute the annual payment obligations.

10. Former Credit Facility

On June 16, 2020, the Company terminated its former credit facility by repaying $174,000 that was outstanding under its term loan and terminating the revolver. A loss on extinguishment of debt of $2,387 was recognized, which represented the write-off of the remaining unamortized issuance costs.

Interest expense recognized on the former credit facility during the three and six months ended June 30, 2020 was $1,667 and $4,086, respectively.

11. Convertible Notes

On June 14, 2021, the Company issued and sold $150,000 in aggregate principal amount of 3.25% Convertible Senior Notes due 2026 (the "2021 Notes") pursuant to an indenture dated June 14, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee"), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended ("Rule 144A").

On June 16, 2020, the Company issued and sold $150,000 in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the "June 2020 Notes") pursuant to an indenture dated June 16, 2020, between the Company and the Trustee, in a private offering to qualified institutional buyers pursuant to Rule 144A. On August 13, 2020, the Company issued and sold $25,000 in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 at a price equal to 101% of the principal amount thereof, plus interest deemed to have accrued since June 16, 2020, and constitute a further issuance of, and form a single series with, the Company's June 2020 Notes (the "August 2020 Notes" and together with the June 2020 Notes, the "2020 Notes").

After the issuance of the 2021 Notes (and together with the 2020 Notes, the "Convertible Notes"), the Company had $325,000 aggregate principal amount of Convertible Notes outstanding.

Key terms of the Convertible Notes are as follows:

	2021 Notes	2020 Notes
Maturity date (unless earlier converted, repurchased or redeemed)	June 15, 2026	June 15, 2023
Interest rate	3.25%	4.25%
Conversion price	$11.04	$5.92
Conversion rate	90.5797	168.9189
Redemption price	$14.35	$7.70

- *Interest rate*: Payable semiannually in arrears on June 15 and December 15 of each year.
- *Conversion price*: Convertible at an initial conversion rate of the Company's common stock, per $1,000 principal amount of notes (equivalent to an initial conversion price as disclosed in the table above).
- *Conversion*: Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2026 and March 15, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, only under the following circumstances: (i) if the last reported sale price of the Company's common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of the Company's common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption delivered by the Company in accordance with the terms of the indentures but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2026 and March 15, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount*: Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At its election, the Company will also settle its conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted in either cash, shares of its common stock or a combination of cash and shares of its common stock.
- *Redemption price:* The Company may redeem for cash all or any portion of the notes, at its option, on or after June 20, 2026 and June 20, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, and on or prior to the 55th scheduled trading day immediately preceding the maturity date, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.

- *Limited investor put rights*: Holders of the Convertible Notes have the right to require the Company to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances*: In certain circumstances, conversions in connection with a "make-whole fundamental change" (as defined in the indentures) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 144.9275 shares and 270.2702 shares of the Company's common stock per $1,000 principal amount of the 2021 Notes and 2020 Notes, respectively (the equivalent of 69,036,410 shares of the Company's common stock), subject to adjustment.
- *Seniority and Security*: The 2021 Notes and 2020 Notes rank equal in right of payment, and are the Company's senior unsecured obligations, but are subordinated in right of payment to the Company's obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (Note 12).

The indentures contain customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

The following table provides a summary of the carrying value of the Convertible Notes at June 30, 2021 and December 31, 2020:

	June 30, 2021			December 31, 2020
	2021 Notes	2020 Notes	Total	
Principal amount	$ 150,000	$ 175,000	$ 325,000	$ 175,000
Plus: Premium	—	250	250	250
Gross proceeds	150,000	175,250	325,250	175,250
Less: Unamortized discount(1)	—	—	—	(4,207)
Less: Unamortized issuance costs(1)	(4,257)	(3,657)	(7,914)	(4,397)
Carrying amount	$ 145,743	$ 171,593	$ 317,336	$ 166,646
Effective interest rate(2)	3.83%	5.30%	4.62%	6.29%

(1) Unamortized discount was reduced by $4,207 and unamortized issuance costs increased by $119 upon the early adoption of ASU 2020-06 on January 1, 2021. The discount previously arose from the bifurcation of the conversion option which occurred prior to the adoption of ASU 2020-06. The unamortized issuance costs are reported net of the unamortized premium.

(2) Includes amortization of the issuance costs and premium. The effective interest rate prior to January 1, 2021 also included amortization of the discount arising from the bifurcation of the conversion option.

On January 1, 2021, the Company early adopted ASU 2020-06, which simplified the accounting for convertible instruments by providing for such instruments being reported as a single liability (applicable to the convertible notes) or equity with no separate accounting for the embedded conversion features unless the conversion feature meets the criteria for accounting under the substantial premium model or does not qualify for a derivative scope exception. Previously, convertible instruments were required to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The discount arising from the recognition of the equity component was amortized as interest expense over the life of the 2020 Notes.

Interest expense on the Convertible Notes during the three and six months ended June 30, 2021 was $2,567 and $4,863, respectively. Interest expense on the 2020 Notes during the three and six months ended June 30, 2020 was $377. Interest payable of $588 and $342 at June 30, 2021 and December 31, 2020 is included in accounts payable and other liabilities on the Consolidated Balance Sheets.

The fair value of the Convertible Notes (classified as Level 2 in the fair value hierarchy) was $356,602 at June 30, 2021. The if-converted value of the 2020 Notes was $183,277 at June 30, 2021. The if-converted value of the 2021 Notes did not exceed the principal amount at June 30, 2021.

12. Preferred Shares

On April 10, 2018, the Company filed a Certificate of Designations of Series A Non-Voting Convertible Preferred Stock with the Secretary of State of the State of Delaware establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the Preferred Shares (defined below). The Preferred Shares are intended to provide ETFS Capital with economic rights equivalent to the Company's common stock on an as-converted basis. The Preferred Shares have no voting rights, are not transferable and have the same priority with regard to dividends, distributions and payments as the common stock.

As described in the Certificate of Designations, the Company will not issue, and ETFS Capital does not have the right to require the Company to issue, any shares of common stock upon conversion of the Preferred Shares, if, as a result of such conversion, ETFS Capital (together with certain attribution parties) would beneficially own more than 9.99% of the Company's outstanding common stock immediately after giving effect to such conversion.

In connection with the completion of the ETFS Acquisition, the Company issued 14,750 shares of Series A Non-Voting Convertible Preferred Stock (the "Preferred Shares"), which are convertible into an aggregate of 14,750,000 shares of common stock. The fair value of this consideration was $132,750, based on the closing price of the Company's common stock on April 10, 2018 of $9.00 per share, the trading day prior to the closing of the acquisition.

The following is a summary of the Preferred Share balance:

	June 30, 2021	December 31, 2020
Issuance of Preferred Shares	$ 132,750	$ 132,750
Less: Issuance costs	(181)	(181)
Preferred Shares – carrying value	$ 132,569	$ 132,569

Temporary equity classification is required for redeemable instruments for which redemption triggers are outside of the issuer's control. ETFS Capital has the right to redeem all the Preferred Shares specified to be converted during the period of time specified in the Certificate of Designations in the event that: (a) the number of shares of the Company's common stock authorized by its certificate of incorporation is insufficient to permit the Company to convert all of the Preferred Shares requested by ETFS Capital to be converted; or (b) ETFS Capital does not, upon completion of a change of control of the Company, receive the same amount per Preferred Share as it would have received had each outstanding Preferred Share been converted into common stock immediately prior to the change of control. However, the Company will not be obligated to make any such redemption payments to the extent such payments would be a breach of any covenant or obligation the Company owes to any of its secured creditors or is otherwise prohibited by applicable law.

Any such redemption will be at a price per Preferred Share equal to the dollar volume-weighted average price for a share of common stock for the 30-trading day period ending on the date of such attempted conversion or change of control, as applicable, multiplied by 1,000. Such redemption payment will be made in one payment no later than 10 business days following the last day of the Company's first fiscal quarter that begins on a date following the date ETFS Capital exercises such redemption right. The redemption value of the Preferred Shares was $97,549 and $72,667 at June 30, 2021 and December 31, 2020, respectively.

The carrying amount of the Preferred Shares was not adjusted as it was not probable that the Preferred Shares would become redeemable.

13. Leases

The Company has entered into operating leases for its corporate headquarters and other office facilities, financial data terminals and equipment. The Company has no finance leases.

The following table provides additional information regarding the Company's leases:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Lease cost:				
Operating lease cost	$ 643	$ 790	$ 1,340	$ 1,588
Short-term lease cost	259	300	554	642
Total lease cost	$ 902	$ 1,090	$ 1,894	$ 2,230
Other information:				
Cash paid for amounts included in the measurement of operating liabilities (operating leases)	$ 740	$ 919	$ 1,658	$ 1,845
Right-of-use assets obtained in exchange for new operating lease liabilities	n/a	n/a	n/a	n/a
Weighted-average remaining lease term (in years) – operating leases	8.4	9.0	8.4	9.0
Weighted-average discount rate – operating leases	6.3%	6.3%	6.3%	6.3%

None of the Company's leases include variable payments, residual value guarantees or any restrictions or covenants relating to the Company's ability to pay dividends or incur additional financing obligations.

The Company's lease of its headquarters, which expires in August 2029, includes an option to extend for an additional five years. Rent payable under the option is equal to the fair market rent of the premises as determined by the landlord approximately six months prior to the commencement of the extension term. The lease also includes a cancellation option which is effective on August 21, 2024 and requires notice to be provided to the landlord at least 12 months prior. Triggering this option requires a cancellation payment of $4,236. The cancellation and extension options were not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

Other leases also include extension, automatic renewal and termination provisions. These provisions were also not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

During the six months ended June 30, 2021, the Company recognized an impairment charge of $303 resulting from the derecognition of a right-of-use asset upon exiting its London office in February 2021, as well as costs incurred to restore the office space to its original condition.

The following table discloses future minimum lease payments at June 30, 2021 with respect to the Company's operating lease liabilities:

Remainder of 2021	$ 1,646
2022	3,326
2023	3,158
2024	3,037
2025	3,148
2026 and thereafter	11,457
Total future minimum lease payments (undiscounted)	$25,772

The following table reconciles the future minimum lease payments (disclosed above) at June 30, 2021 to the operating lease liabilities recognized in the Company's Consolidated Balance Sheet:

Amounts recognized in the Company's Consolidated Balance Sheet	
Lease liability – short term	$ 3,326
Lease liability – long term	16,920
Subtotal	20,246
Difference between undiscounted and discounted cash flows	5,526
Total future minimum lease payments (undiscounted)	$25,772

14. Contingencies

The Company may be subject to reviews, inspections and investigations by regulatory authorities as well as legal proceedings arising in the ordinary course of business.

Closure of the WisdomTree WTI Crude Oil 3x Daily Leveraged ETP

In December 2020, WMAI, WTMAML, WTUK and WisdomTree Ireland Limited were served with a writ of summons to appear before the Court of Milan, Italy, and in January 2021, WTUK was served with a writ of summons to appear before the Court of Udine, Italy. Investors had filed actions seeking approximately €9,000 ($10,715), in the aggregate, resulting from the closure of the WisdomTree WTI Crude Oil 3x Daily Leveraged ETP ("3OIL") in March 2020. The product was dependent on the receipt of payments from a swap provider to satisfy payment obligations to the investors. Due to an extreme adverse move in oil futures relative to the oil futures' closing price, the swap contract underlying 3OIL was terminated by the swap provider, which resulted in the compulsory redemption of 3OIL, all in accordance with the prospectus.

The Company is currently assessing these claims and an accrual has not been made with respect to these matters at June 30, 2021 and December 31, 2020.

15. Variable Interest Entities

VIEs are entities with any of the following characteristics: (i) the entity does not have enough equity to finance its activities without additional financial support; (ii) the equity holders, as a group, lack the characteristics of a controlling financial interest; or (iii) the entity is structured with non-substantive voting rights.

Consolidation of a VIE is required for the party deemed to be the primary beneficiary, if any. The primary beneficiary is the party who has both (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. The Company is not the primary beneficiary of the entities in which it has a variable interest as it does not have the power to direct the activities that most significantly impact the entity's economic performance. Such power is conveyed through the entities' boards of directors and the Company does not have control over the boards.

The following table presents information about the Company's variable interests in non-consolidated VIEs:

	June 30, 2021	December 31, 2020
Carrying Amount – Assets (Securrency)		
Preferred stock – Series A Shares	$ 8,488	$ 8,112
Preferred stock – Series B Shares	5,500	—
Subtotal - Securrency	$13,988	$ 8,112
Carrying Amount – Assets (Onramp)		
SAFE	250	—
Total (Note 7)	$14,238	$ 8,112
Maximum exposure to loss	$14,238	$ 8,112

16. Revenues from Contracts with Customers

The following table presents the Company's total revenues from contracts with customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues from contracts with customers:				
Advisory fees	$75,997	$57,208	$147,613	$120,158
Other	1,606	918	2,820	1,842
Total operating revenues	$77,603	$58,126	$150,433	$122,000

The Company recognizes revenues from contracts with customers when the performance obligation is satisfied, which is when the promised services are transferred to the customer. A service is considered to be transferred when the customer obtains control, which is represented by the transfer of rights with regard to the service. Transfer of control happens either over time or at a point in time. When a performance obligation is satisfied over time, an entity is required to select a single method of measuring progress for each performance obligation that depicts the entity's performance in transferring control of services to the customer.

Substantially all the Company's revenues from contracts with customers are derived primarily from investment advisory agreements with related parties (Note 17). These advisory fees are recognized over time, are earned from the Company's ETPs and are calculated based on a percentage of the ETPs' average daily net assets. There is no significant judgment in calculating amounts due which are invoiced monthly in arrears and are not subject to any potential reversal. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

There are no contract assets or liabilities that arise in connection with the recognition of advisory fee revenue. In addition, there are no costs incurred to obtain or fulfill the contracts with customers, all of which are investment advisory agreements with related parties.

Geographic Distribution of Revenue

The following table presents the Company's total revenues geographically as determined by where the respective management companies reside:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues from contracts with customers:				
United States	$44,522	$31,629	$ 85,221	$ 71,499
Jersey	30,640	25,641	60,630	48,166
Ireland	2,441	856	4,582	1,970
Canada (Note 23)	—	—	—	365
Total operating revenues	$77,603	$58,126	$150,433	$122,000

17. Related Party Transactions

The Company's revenues are derived primarily from investment advisory agreements with related parties. Under these agreements, the Company has licensed to related parties the use of certain of its own indexes for the U.S. WisdomTree ETFs and WisdomTree UCITS ETFs. The Board of Trustees and Board of Directors (including certain officers of the Company) of the related parties are primarily responsible for overseeing the management and affairs of the entities for the benefit of their stakeholders and have contracted with the Company to provide for general management and administration services. The Company is also responsible for certain expenses of the related parties, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services, excluding extraordinary expenses, taxes and certain other expenses, which are included in fund management and administration on the Company's Consolidated Statements of Operations. In exchange, the Company receives fees based on a percentage of the ETPs' average daily net assets. A majority of the independent members of the Board of Trustees are required to annually approve the advisory agreements of the U.S. WisdomTree ETFs and these agreements may be terminated by the Board of Trustees upon notice.

The following table summarizes accounts receivable from related parties which are included as a component of accounts receivable on the Company's Consolidated Balance Sheets:

	June 30, 2021	December 31, 2020
Receivable from WTT	$15,079	$ 13,030
Receivable from ManJer Issuers	13,374	11,693
Receivable from WMAI and WTI	3,226	2,125
Receivable from WTCS	—	36
Total	$31,679	$ 26,884

The allowance for credit losses on accounts receivable from related parties is insignificant when applying historical loss rates, adjusted for current conditions and supportable forecasts, to the amounts outstanding in the table above. Amounts outstanding are all invoiced in arrears, are less than 30 days aged and are collected shortly after the applicable reporting period.

The following table summarizes revenues from advisory services provided to related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Advisory services provided to WTT	$44,442	$31,389	$ 84,978	$ 70,990
Advisory services provided to ManJer Issuers	26,893	23,670	53,938	43,928
Advisory services provided to WMAI and WTI	4,662	2,014	8,697	4,542
Advisory services provided to WTAMC	—	—	—	365
Advisory services provided to WTCS	—	135	—	333
Total	$75,997	$57,208	$147,613	$120,158

The Company also has investments in certain WisdomTree ETFs of approximately $21,330 and $23,932 at June 30, 2021 and December 31, 2020, respectively. Net gains and losses related to trading WisdomTree ETFs during the three months ended June 30, 2021 and 2020 were $167 and $298, respectively, and during the six months ended June 30, 2021 and 2020 were ($217) and $8, respectively, which are recorded in other gains and losses, net.

18. Stock-Based Awards

On June 20, 2016, the Company's stockholders approved a new equity award plan under which the Company can issue up to 10,000,000 shares of common stock (less one share for every share granted under prior plans since March 31, 2016 and inclusive of shares available under the prior plans as of March 31, 2016) in the form of stock options and other stock-based awards.

The Company grants equity awards to employees and directors which include restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and stock options. Certain awards described below are subject to acceleration under certain conditions.

Stock options: Generally issued for terms of ten years and may vest after at least one year of service and have an exercise price equal to the Company's stock price on the grant date. The Company estimates the fair value of stock options (when granted) using the Black-Scholes option pricing model.

RSAs/RSUs: Awards are valued based on the Company's stock price on grant date and generally vest ratably over three years.

PRSUs: These awards cliff vest three years from the grant date and contain a market condition whereby the number of PRSUs ultimately vesting is tied to how the Company's total shareholder return ("TSR") compares to a peer group of other publicly traded asset managers over the three-year period. A Monte Carlo simulation is used to value these awards.

The number of PRSUs vesting ranges from 0% to 200% of the target number of PRSUs granted, as follows:

- If the relative TSR is below the 25th percentile, then 0% of the target number of PRSUs granted will vest;
- If the relative TSR is at the 25th percentile, then 50% of the target number of PRSUs granted will vest; and
- If the relative TSR is above the 25th percentile, then linear scaling is applied such that the percent of the target number of PRSUs vesting is 100% at the 50th percentile and capped at 200% of the target number of PRSUs granted for performance at the 85th percentile (or 100th percentile for grants made during 2019 and 2020).
- If the Company's TSR is negative, the target number of PRSUs vesting is capped at 100% regardless of the relative TSR percentile.

Stock-based compensation expense during the three months ended June 30, 2021 and 2020 was $2,121 and $2,920, respectively, and during the six months ended June 30, 2021 and 2020 was $5,264 and $6,159, respectively.

A summary of unrecognized stock-based compensation expense and average remaining vesting period is as follows:

	June 30, 2021	
	Unrecognized Stock-Based Compensation	Average Remaining Vesting Period (Years)
Employees and directors	$ 13,513	1.70

A summary of stock-based compensation award activity during the three months ended June 30, 2021 is as follows:

	Stock Options	RSAs	RSUs	PRSUs
Balance at April 1, 2021	115,000	3,830,801	53,661	598,355
Granted	—	93,750	—	—
Exercised/vested	(67,500)	(653,936)	—	—
Forfeitures	—	(226,667)	(452)	(47,669)
Balance at June 30, 2021	47,500	3,043,948	53,209	550,686

19. Earnings Per Share

The following tables set forth reconciliations of the basic and diluted earnings/(loss) per share computations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
Basic Earnings/(Loss) per Share	2021	2020	2021	2020
Net income/(loss)	$ 17,630	$ (13,250)	$ 32,777	$ (21,888)
Less: Income distributed to participating securities	(538)	(552)	(1,096)	(1,107)
Less: Undistributed income allocable to participating securities	(1,394)	—	(2,550)	—
Net income/(loss) available to common stockholders – Basic EPS	$ 15,698	$ (13,802)	$ 29,131	$ (22,995)
Weighted average common shares (in thousands)	145,542	151,623	145,652	152,071
Basic earnings/(loss) per share	$ 0.11	$ (0.09)	$ 0.20	$ (0.15)

Diluted Earnings/(Loss) per Share	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net income/(loss) available to common stockholders	$ 15,698	$ (13,802)	$ 29,131	$ (22,995)
Add back: Undistributed income allocable to participating securities	1,394	—	2,550	—
Less: Reallocation of undistributed income allocable to participating securities considered potentially dilutive	(1,367)	—	(2,529)	—
Net income/(loss) available to common stockholders – Diluted EPS	$ 15,725	$ (13,802)	$ 29,152	$ (22,995)
Weighted Average Diluted Shares (in thousands):				
Weighted average common shares	145,542	151,623	145,652	152,071
Dilutive effect of common stock equivalents, excluding participating securities	3,272	—	1,352	—
Weighted average diluted shares, excluding participating securities (in thousands)	148,814	151,623	147,004	152,071
Diluted earnings/(loss) per share	$ 0.11	$ (0.09)	$ 0.20	$ (0.15)

Diluted earnings/(loss) per share presented above is calculated using the two-class method as this method results in the lowest diluted earnings per share amount for common stock. During the three and six months ended June 30, 2020, there were no dilutive common stock equivalents as the Company reported a net loss for the period. Total antidilutive non-participating common stock equivalents were 55 and 358 during the three months ended June 30, 2021 and 2020, respectively, and 130 and 441 during the six months ended June 30, 2021 and 2020, respectively (shares herein are reported in thousands).

Potential common shares associated with the conversion option embedded in the Convertible Notes for the three and six months ended June 30, 2021 were 3,019 and 1,191, respectively (shares herein are reported in thousands). There were no potential common shares included in weighted average diluted shares for the three and six months ended June 30, 2020 as the Company's average stock price during those respective periods was lower than the conversion price.

The following table reconciles weighted average diluted shares as reported on the Company's Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, which are determined pursuant to the treasury stock method, to the weighted average diluted shares used to calculate diluted earnings/(loss) per share as disclosed in the table above:

Reconciliation of Weighted Average Diluted Shares (in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Weighted average diluted shares as disclosed on the consolidated statements of operations	164,855	151,623(1)	163,062	152,071(1)
Less: Participating securities				
Weighted average shares of common stock issuable upon conversion of the Preferred Shares (Note 12)	(14,750)	—	(14,750)	—
Potentially dilutive restricted stock awards	(1,291)	—	(1,308)	—
Weighted average diluted shares used to calculate diluted earnings/(loss) per share as disclosed in the table above	148,814	151,623	147,004	152,071

(1) Excludes 15,011 participating securities and zero potentially dilutive common stock equivalents for the three months ended June 30, 2020 and 14,991 participating securities and 8 potentially dilutive common stock equivalents for the six months ended June 30, 2020, as the Company reported a net loss for the period (shares herein are reported in thousands).

20. Income Taxes

Effective Income Tax Rate – Three and Six Months Ended June 30, 2021

The Company's effective income tax rate during the three months ended June 30, 2021 of 19.5% resulted in income tax expense of $4,259. The effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a lower tax rate on foreign earnings.

The Company's effective income tax rate for the six months ended June 30, 2021 of 6.5% resulted in income tax expense of $2,290. The effective income tax rate differs from the federal statutory rate of 21% primarily due to a $5,171 reduction in unrecognized tax benefits, a lower tax rate on foreign earnings and a non-taxable gain on revaluation of deferred consideration. These items were partly offset by tax shortfalls associated with the vesting and exercise of stock-based compensation and state and local taxes.

Effective Income Tax Rate – Three and Six Months Ended June 30, 2020

The Company's effective income tax rate during the three months ended June 30, 2020 of 5.7% resulted in an income tax benefit of $804. The effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a tax benefit of $2,842 recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from the Company's debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

The Company's effective income tax rate for the six months ended June 30, 2020 of 12.7% resulted in an income tax benefit of $3,175. The effective income tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a $5,981 reduction in unrecognized tax benefits, a $2,877 non-taxable gain recognized upon sale of the Canadian ETF business in the first quarter of 2020, a tax benefit of $2,842 recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from the Company's debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Deferred Tax Assets

A summary of the components of the Company's deferred tax assets at June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Deferred tax assets:		
Capital losses	$ 16,596	$ 16,596
Operating lease liabilities	4,747	4,953
Accrued expenses	2,234	3,507
NOLs – Foreign	2,093	2,167
Goodwill and intangible assets	1,371	1,466
Interest carryforwards	1,349	2,235
Stock-based compensation	672	1,922
NOLs – U.S.	382	510
Outside basis differences	122	122
Other	382	111
Deferred tax assets	29,948	33,589
Deferred tax liabilities:		
Right of use assets – operating leases	3,767	3,927
Fixed assets and prepaid assets	1,224	1,261
Foreign currency translation adjustment	387	293
Unremitted earnings – International subsidiaries	131	138
Allocated equity component of convertible notes	—	1,022
Deferred tax liabilities	5,509	6,641
Total deferred tax assets less deferred tax liabilities	24,439	26,948
Less: valuation allowance	(18,811)	(18,885)
Deferred tax assets, net	$ 5,628	$ 8,063

Net Operating and Capital Losses – U.S.

The Company's tax effected net operating losses ("NOLs") at June 30, 2021 were $382 which expire in 2024. The net operating loss carryforwards have been reduced by the impact of annual limitations described in the Internal Revenue Code Section 382 that arose as a result of an ownership change.

The Company's tax effected capital losses were $16,596 at June 30, 2021 and December 31, 2020. These capital losses expire between the years 2023 and 2025.

Net Operating Losses – International

One of the Company's European subsidiary's generated NOLs outside the U.S. These tax effected NOLs, all of which are carried forward indefinitely, were $2,093 and $2,167 at June 30, 2021 and December 31, 2020, respectively.

Valuation Allowance

The Company's valuation allowance has been established on its net capital losses, international net operating losses and outside basis differences, as it is more-likely-than-not that these deferred tax assets will not be realized.

Uncertain Tax Positions

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

In connection with the ETFS Acquisition, the Company accrued a liability for uncertain tax positions and interest and penalties at the acquisition date. The table below sets forth the aggregate changes in the balance of these gross unrecognized tax benefits during the three and six months ended June 30, 2021:

	Total	Unrecognized Tax Benefits	Interest and Penalties
Balance on January 1, 2021	$27,016	$ 21,850	$ 5,166
Decrease - Lapse of statute of limitations(1)	(5,171)	(3,559)	(1,612)
Increases	39	—	39
Foreign currency translation(2)	338	273	65
Balance at March 31, 2021	$22,222	$ 18,564	$ 3,658
Increases	40	—	40
Foreign currency translation(2)	165	138	27
Balance at June 30, 2021	$22,427	$ 18,702	$ 3,725

(1) Recorded as an income tax benefit of $5,171 during the six months ended June 30, 2021, along with an equal and offsetting amount recorded in other gains and losses, net, to recognize a reduction in the indemnification asset. During the six months ended June 30, 2020, an income tax benefit of $5,981 was recorded along with an equal and offsetting amount in other gains and losses, net.

(2) The gross unrecognized tax benefits were accrued in British pounds.

The Company also recorded an offsetting indemnification asset provided by ETFS Capital as part of its agreement to indemnify the Company for any potential claims, for which an amount is being held in escrow. ETFS Capital has also agreed to provide additional collateral by maintaining a minimum working capital balance up to a stipulated amount.

The gross unrecognized tax benefits and interest and penalties totaling $22,427 at June 30, 2021 are included in other non-current liabilities on the Consolidated Balance Sheets. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by $7,152 (including interest and penalties of $2,064) in the next 12 months upon lapsing of the statute of limitations.

At June 30, 2021, there were $22,427 of unrecognized tax benefits (including interest and penalties) that, if recognized, would impact the effective tax rate. The recognition of any unrecognized tax benefits would result in an equal and offsetting adjustment to the indemnification asset which would be recorded in income before taxes due to the indemnity for any potential claims.

Income Tax Examinations

The Company is subject to U.S. federal income tax as well as income tax of multiple state, local and certain foreign jurisdictions. The Company's federal tax return for the year ended December 31, 2016 and ManJer's tax returns (a Jersey-based subsidiary) for the years ended December 31, 2014 through 2016 are currently under review by the relevant tax authorities. The Company is indemnified by ETFS Capital for any potential exposure associated with ManJer's tax return under audit.

The Company is not currently under audit in any other income tax jurisdictions. As of June 30, 2021, with few exceptions, the Company was no longer subject to income tax examinations by any taxing authority for years before 2016.

Undistributed Earnings of Foreign Subsidiaries

ASC 740-30 *Income Taxes*, provides guidance that US companies do not need to recognize tax effects on foreign earnings that are indefinitely reinvested. The Company repatriates earnings of its foreign subsidiaries and therefore has recognized a deferred tax liability of $131 and $138 at June 30, 2021 and December 31, 2020, respectively.

21. Shares Repurchased

On April 24, 2019, the Company's Board of Directors extended the term of the Company's share repurchase program for three years through April 27, 2022. Included under this program are purchases to offset future equity grants made under the Company's equity plans and purchases made in open market or privately negotiated transactions. This authority may be exercised from time to time, subject to regulatory considerations. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The repurchase program may be suspended or terminated at any time without prior notice. Shares repurchased under this program are returned to the status of authorized and unissued on the Company's books and records.

During the three and six months ended June 30, 2021, the Company repurchased 4,630,733 and 5,120,496 shares of its common stock, respectively, under this program for an aggregate cost of $31,876 and $34,506, respectively.

During the three and six months ended June 30, 2020, the Company repurchased 6,738,313 and 7,123,712 shares of its common stock, respectively, under this program for an aggregate cost of $24,949 and $26,444, respectively.

Shares repurchased under this program were returned to the status of authorized and unissued on the Company's books and records. As of June 30, 2021, $17,685 remained under this program for future repurchases.

22. Goodwill and Intangible Assets

Goodwill

The table below sets forth goodwill which is tested annually for impairment on November 30th:

	Total
Balance at January 1, 2021	$85,856
Changes	—
Balance at June 30, 2021	$85,856

Goodwill arising from the ETFS Acquisition of $84,057 is not deductible for tax purposes as the acquisition was structured as a stock acquisition occurring in the United Kingdom. The remainder of the goodwill is deductible for U.S. tax purposes.

Intangible Assets (Indefinite-Lived)

The table below sets forth the Company's intangible assets which are tested annually for impairment on November 30th:

	Total
Balance at January 1, 2021	$601,247
Changes	—
Balance at June 30, 2021	$601,247

ETFS

In connection with the ETFS Acquisition, which was completed on April 11, 2018, the Company identified intangible assets valued at $601,247 related to the right to manage AUM through customary advisory agreements. The intangible assets were determined to have indefinite useful lives and are not deductible for tax purposes.

23. Contingent Payments

The Company recognizes contingent payments when the contingency is resolved and the gain is realized.

AdvisorEngine – Sale of Financial Interests

On May 4, 2020, the Company closed a transaction to exit its investment in AdvisorEngine. The fair value of upfront consideration paid to the Company was $9,592. Consideration also included contingent payments totaling up to $10,408 which will be payable only upon AdvisorEngine achieving certain revenue milestones during the first through fourth anniversaries of such exit. No value has been ascribed to these contingent payments at June 30, 2021 and December 31, 2020.

During the six months ended June 30, 2020, the Company recognized an impairment of $19,672 to adjust the carrying value of its previously held financial interests in AdvisorEngine to fair value. During the three and six months ended June 30, 2020, the Company subsequently recognized a gain of $868 arising from an adjustment to the estimate fair value of consideration received. These fair value adjustments were based upon the final sale terms as disclosed above.

Sale of Canadian ETF Business

On February 19, 2020, the Company completed the sale of all the outstanding shares of WTAMC to CI Financial Corp. The Company received CDN $3,720 (USD $2,774) in cash at closing and will receive additional cash consideration of CDN $2,000 to $8,000, depending on the achievement of certain AUM growth targets over the next three years. The Company recorded CDN $2,000 in other receivables on the Consolidated Statements of Financial Condition at June 30, 2021 and December 31, 2020.

In connection with this sale, the Company recognized a gain of $2,877 during the six months ended June 30, 2020 which was recorded in other gains and losses, net on the Consolidated Statements of Operations. This gain represents the difference between the minimum cash consideration payable to the Company and the carrying value of WTAMC's net assets upon disposition.

24. Subsequent Events

The Company evaluated subsequent events through the date of issuance of the accompanying consolidated financial statements. There were no events requiring disclosure.

ITEM 2. 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 Report. 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 Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. 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

Introduction

We are the only publicly-traded asset management company that focuses exclusively on exchange-traded products, or ETPs, and are a leading global ETP sponsor based on assets under management, or AUM, with AUM of $73.9 billion globally as of June 30, 2021. An ETP is a pooled investment vehicle that holds a basket of securities, financial instruments or other assets and generally seeks to track (index-based) or outperform (actively managed) the performance of a broad or specific equity, fixed income or alternatives market segment, commodity or currency (or an inverse or multiple thereof). ETPs are listed on an exchange with their shares traded in the secondary market at market prices, generally at approximately the same price as the net asset value of their underlying components. ETP is an umbrella term that includes exchange-traded funds, or ETFs, exchange-traded notes and exchange-traded commodities.

Our family of ETPs includes products that track our own indexes, third-party indexes and market prices of commodities. We also offer actively managed products. Most of our equity-based funds employ a fundamentally weighted investment methodology, which weights securities based on factors such as dividends, earnings or investment factors, whereas most other industry indexes use a capitalization weighted methodology. We distribute our products through all major channels in the asset management industry, including banks, brokerage firms, registered investment advisers, institutional investors, private wealth managers and online brokers primarily through our sales force. Our sales efforts are not primarily directed towards the retail segment but rather are directed towards financial advisers that act as intermediaries between the end-client and us or institutional investors.

We focus on creating products for investors that offer thoughtful innovation, smart engineering and redefined investing. We have launched many first-to-market products and pioneered alternative weighting we call "Modern Alpha," which combines the outperformance potential of active management with the benefits of passive management to offer investors cost-effective funds that are built to perform.

Through our operating subsidiaries, we provide investment advisory and other management services to our ETPs collectively offering products covering equity, commodity, fixed income, leveraged and inverse, currency, cryptocurrency and alternative strategies. In exchange for providing these services, we receive advisory fee revenues based on a percentage of the ETPs' average daily AUM. Our expenses are predominantly related to selling, operating and marketing our products. We have contracted with third parties to provide certain operational services for the ETPs.

We strive to deliver a better investing experience through innovative solutions. Continued investments in technology-enabled and research-driven solutions and our Advisor Solutions program, which includes portfolio construction, asset allocation, practice management services and digital tools for financial advisors, are meant to differentiate us in the market, expand our distribution and further enhance our relationships with financial advisors.

We were incorporated under the laws of the state of Delaware on September 19, 1985 as Financial Data Systems, Inc. and ultimately renamed WisdomTree Investments, Inc. on September 6, 2005.

Digital Assets – Developments

We are executing on our digital assets initiative and have made meaningful advancements. We filed for the WisdomTree Bitcoin Trust (the approval for stock exchange listing has recently been delayed), the WisdomTree Ethereum Trust and the WisdomTree Digital Short-Term Treasury Fund with the SEC, among other regulatory and product related digital asset advancements which we expect to communicate in the future. We cross-listed our European-domiciled WisdomTree Bitcoin ETP, or BTCW, in Germany, appointed Coinbase Custody as a custodian and received approval to passport BTCW in the European Union, or EU, allowing for a wider audience to access and invest in the product. We launched a physically backed Ethereum ETP in Europe, which is also passported across the EU. We also recently invested in Securrency, Inc.'s Series B funding round, as we believe their team is uniquely suited to lead in blockchain-based financial and regulatory technology going forward. These initiatives were undertaken in our pursuit to establish ourselves as a leader in this space.

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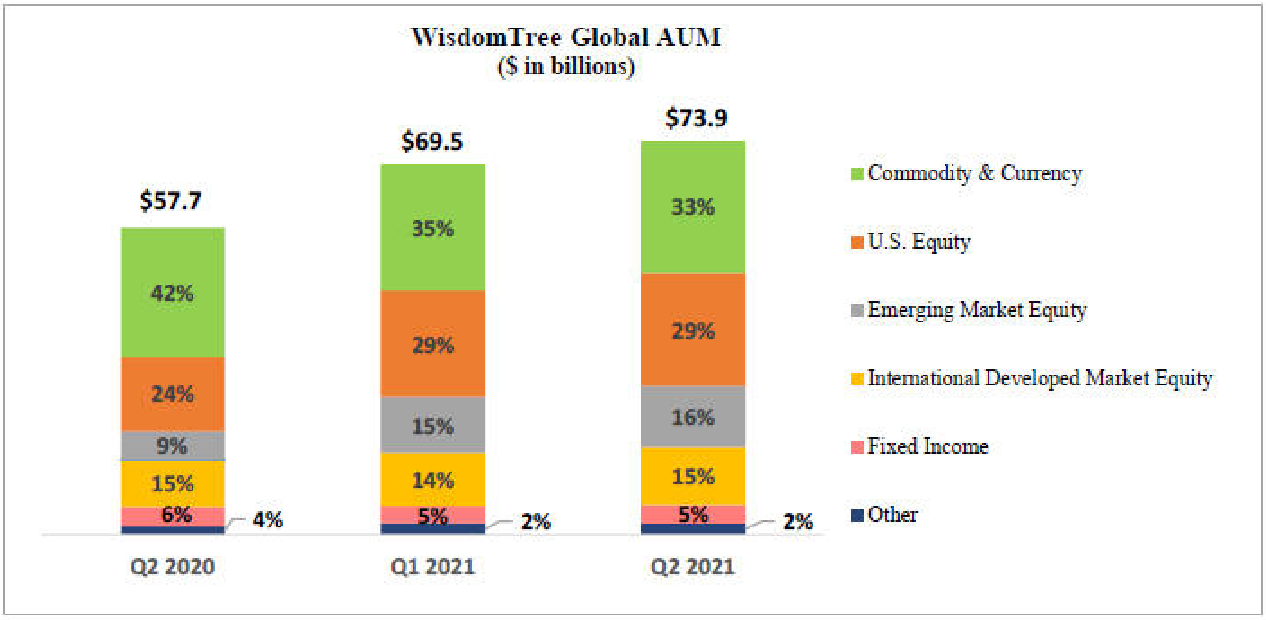
Assets Under Management

WisdomTree ETPs

We offer ETPs covering equity, commodity, fixed income, leveraged and inverse, currency, cryptocurrency and alternative strategies. The chart below sets forth the asset mix of our ETPs at June 30, 2020, March 31, 2021 and June 30, 2021:



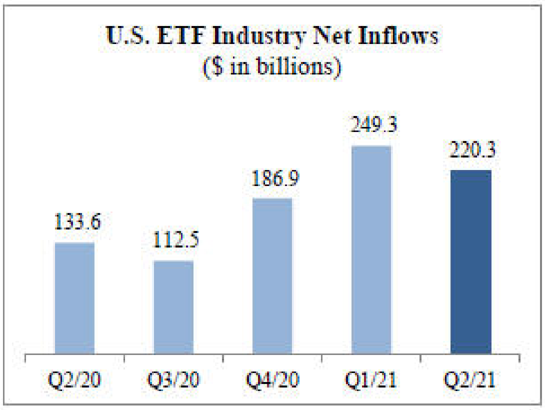
Market Environment

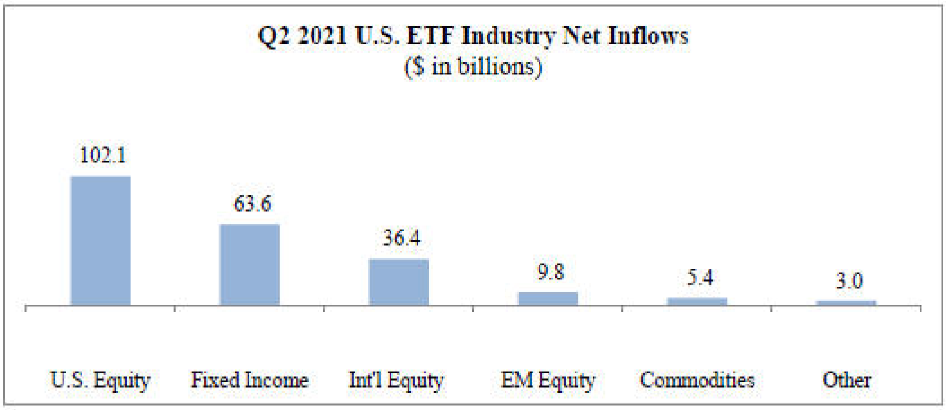
During the second quarter of 2021, global equity markets advanced upon the acceleration of the rollout of COVID-19 vaccines. Rebounds in economic activity contributed to inflationary concerns and lower government bond yields. Gold prices also increased modestly during the quarter.

The S&P 500 rose 8.6%, MSCI EAFE (local currency) rose 5.0%, MSCI Emerging Markets Index (U.S. dollar) rose 5.1%, and gold prices rose 4.3% during the second quarter of 2021. In addition, the European and Japanese equities markets both appreciated with the MSCI EMU Index and MSCI Japan Index increasing 6.2% and 0.2%, respectively, in local currency terms for the quarter. Also, the U.S. dollar weakened 1.4%, 0.7% and 0.2% versus the euro, British pound and Japanese yen, respectively, during the quarter.

U.S. listed ETF Industry Flows

U.S. listed ETF industry net flows for the three months ended June 30, 2021 were $220.3 billion. U.S. equity and fixed income gathered the majority of those flows.

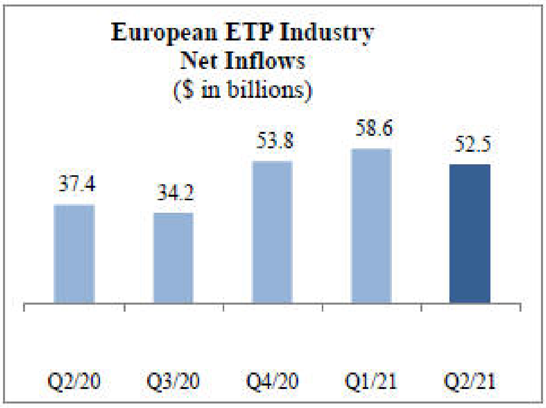


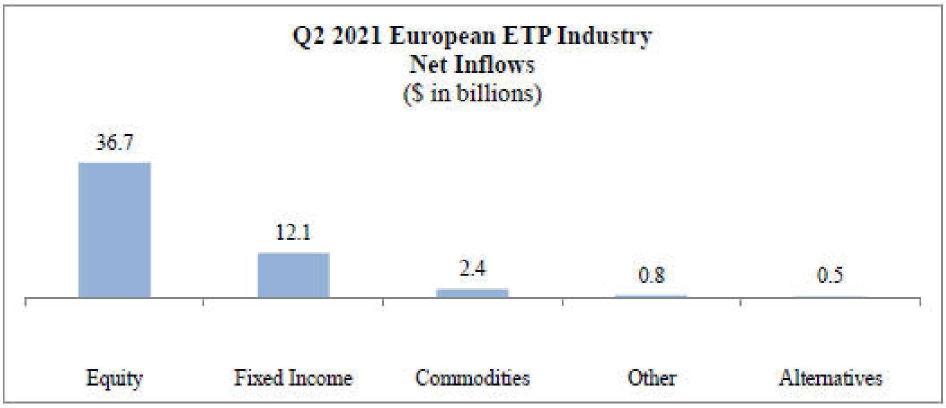


Source: Morningstar

European ETP Industry Flows

European ETP industry net flows were $52.5 billion for the three months ended June 30, 2021. Equities and fixed income gathered the majority of those flows.





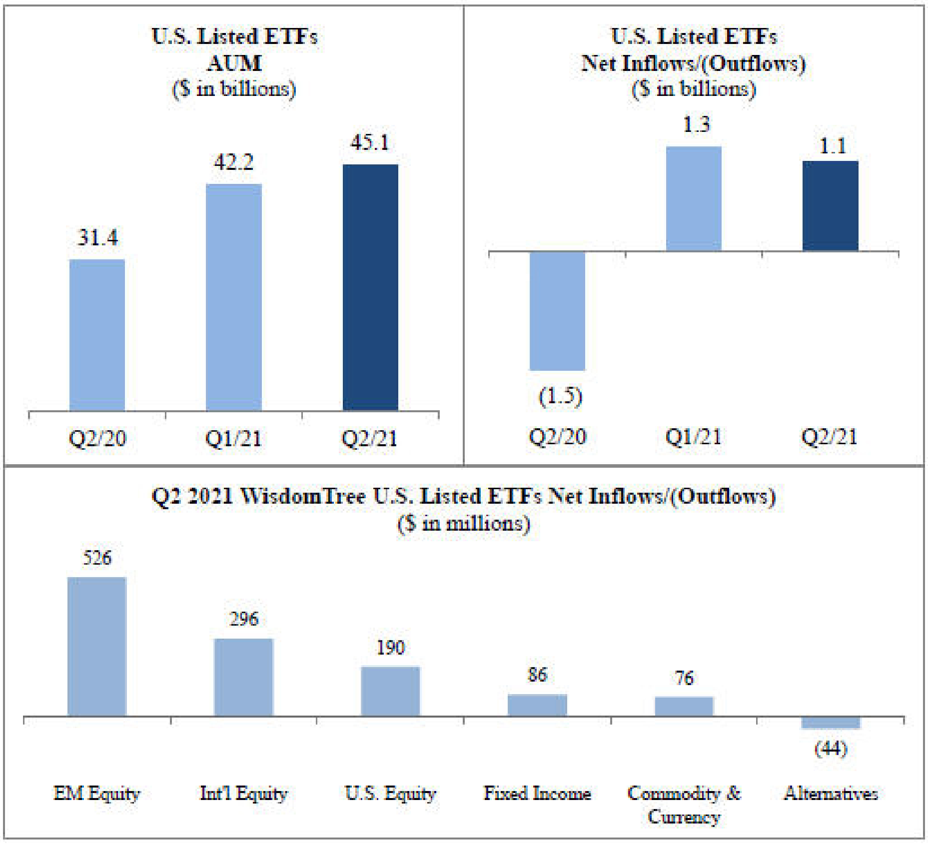
Source: Morningstar

Our Operating and Financial Results

We operate as an ETP sponsor and asset manager providing investment advisory services globally through our subsidiaries in the United States and Europe.

U.S. Listed ETFs

Our U.S. listed ETFs' AUM increased from $42.2 billion at March 31, 2021 to $45.1 billion at June 30, 2021 due to market appreciation and net inflows.



European Listed ETPs

Our European listed ETPs' AUM increased from $27.4 billion at March 31, 2021 to $28.8 billion at June 30, 2021 due to market appreciation.

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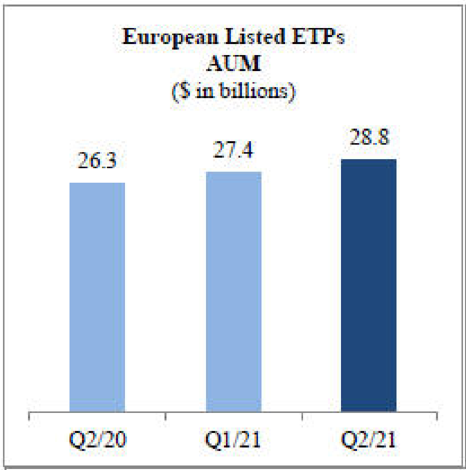
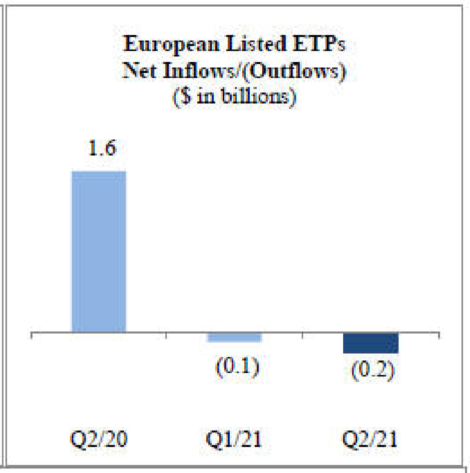
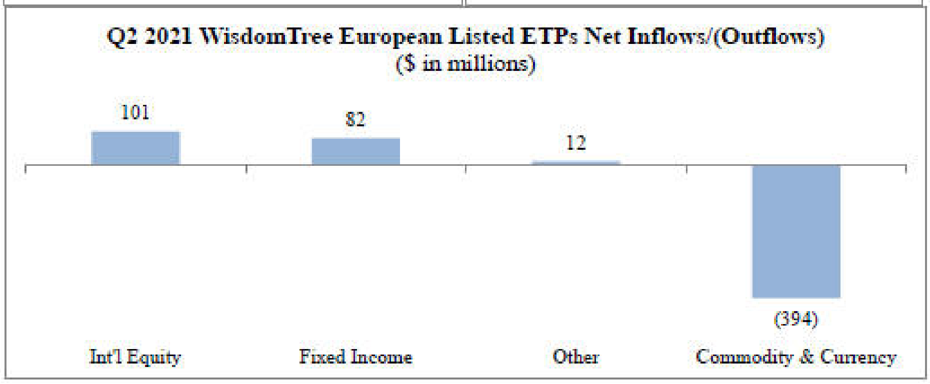
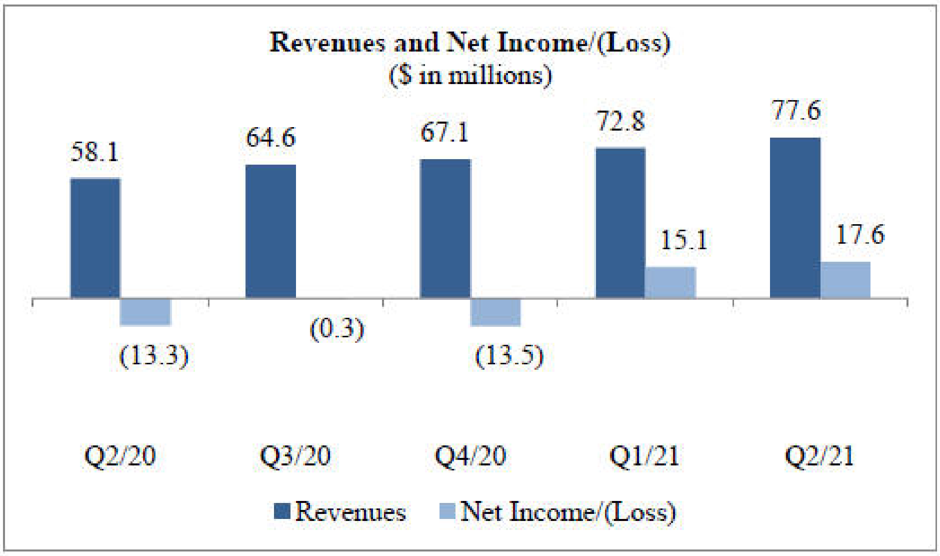






Consolidated Operating Results

The following table sets forth our revenues and net income/(loss) for the most recent five quarters:



- *Revenues* – We recorded operating revenues of $77.6 million during the three months ended June 30, 2021, up 33.5% from the three months ended June 30, 2020 due to higher average global AUM arising from market appreciation and net inflows.
- *Operating Expenses* – Total operating expenses increased 16.4% from the three months ended June 30, 2020 to $53.9 million primarily due to higher incentive compensation and headcount, fund management and administration costs, marketing expenses, third-party distribution fees and professional fees.
- *Other Income/(Expenses)* – Other income/(expenses) includes interest income and interest expense, gains/(losses) on revaluation of deferred consideration – gold payments, impairments and other gains and losses. For the three months ended June 30, 2021 and 2020, the gains/(losses) on revaluation of deferred consideration – gold payments were $0.5 million and ($23.4) million, respectively.

- *Net income/(loss)* – We reported net income of $17.6 million during the three months ended June 30, 2021, compared to a net loss of ($13.3) million during the three months ended June 30, 2020. The change in net income/(loss) was impacted by the change in revenue and expenses described above and a favorable change related to the revaluation of deferred consideration – gold payments of $23.9 million.

Key Operating Statistics

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

	Three Months Ended			Six Months Ended	
	June 30, 2021	March 31, 2021	June 30, 2020	June 30, 2021	June 30, 2020
GLOBAL ETPs (in millions)					
Beginning of period assets	$ 69,537	$ 67,392	$ 50,347	$ 67,392	$ 63,615
Assets sold	—	—	—	—	(778)
Inflows/(outflows)	931	1,279	126	2,210	(410)
Market appreciation/(depreciation)	3,484	866	7,489	4,350	(4,445)
Fund closures	(4)	—	(296)	(4)	(316)
End of period assets	$ 73,948	$ 69,537	$ 57,666	$ 73,948	$ 57,666
Average assets during the period	$ 73,658	$ 69,589	$ 55,746	$ 71,623	$ 57,943
Average ETP advisory fee during the period	0.41%	0.42%	0.41%	0.42%	0.42%
Revenue days	91	90	91	181	182
Number of ETPs—end of period	318	313	311	318	311
U.S. LISTED ETFs (in millions)					
Beginning of period assets	$ 42,163	$ 38,517	$ 28,920	$ 38,517	$ 40,600
Inflows/(outflows)	1,130	1,343	(1,474)	2,473	(2,747)
Market appreciation/(depreciation)	1,836	2,303	4,030	4,139	(6,367)
Fund closures	—	—	(114)	—	(124)
End of period assets	$ 45,129	$ 42,163	$ 31,362	$ 45,129	$ 31,362
Average assets during the period	$ 44,183	$ 40,706	$ 30,651	$ 42,444	$ 33,802
Average ETF advisory fee during the period	0.40%	0.40%	0.41%	0.40%	0.42%
Number of ETFs – end of the period	73	68	67	73	67
EUROPEAN LISTED ETPs (in millions)					
Beginning of period assets	$ 27,374	$ 28,875	$ 21,427	$ 28,875	$ 23,015
Assets sold	—	—	—	—	(778)
Inflows/(outflows)	(199)	(64)	1,600	(263)	2,337
Market appreciation/(depreciation)	1,648	(1,437)	3,459	211	1,922
Fund closures	(4)	—	(182)	(4)	(192)
End of period assets	$ 28,819	$ 27,374	$ 26,304	$ 28,819	$ 26,304
Average assets during the period	$ 29,475	$ 28,883	$ 25,095	$ 29,179	$ 24,141
Average ETP advisory fee during the period	0.43%	0.44%	0.41%	0.43%	0.41%
Number of ETPs—end of period	245	245	244	245	244
PRODUCT CATEGORIES (in millions)					
Commodity & Currency					
Beginning of period assets	$ 23,657	$ 25,879	$ 19,818	$ 25,879	$ 20,074
Inflows/(outflows)	(318)	(660)	1,308	(978)	1,895
Market appreciation/(depreciation)	1,433	(1,562)	3,120	(129)	2,277
End of period assets	$ 24,772	$ 23,657	$ 24,246	$ 24,772	$ 24,246
Average assets during the period	$ 25,577	$ 25,296	$ 23,048	$ 25,437	$ 21,723
U.S. Equity					
Beginning of period assets	$ 20,019	$ 18,367	$ 12,151	$ 18,367	$ 17,732
Inflows/(outflows)	199	218	(241)	417	(526)
Market appreciation/(depreciation)	1,076	1,434	2,087	2,510	(3,209)
End of period assets	$ 21,294	$ 20,019	$ 13,997	$ 21,294	$ 13,997
Average assets during the period	$ 20,989	$ 19,320	$ 13,324	$ 20,154	$ 14,672
Emerging Market Equity					
Beginning of period assets	$ 10,477	$ 8,539	$ 4,600	$ 8,539	$ 6,400
Inflows/(outflows)	529	1,662	(25)	2,191	44
Market appreciation/(depreciation)	511	276	838	787	(1,031)
End of period assets	$ 11,517	$ 10,477	$ 5,413	$ 11,517	$ 5,413
Average assets during the period	$ 11,010	$ 9,875	$ 5,131	$ 10,443	$ 5,525

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	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
International Developed Market Equity					
Beginning of period assets	$ 9,991	$ 9,414	$ 8,659	$ 9,414	$ 13,011
Inflows/(outflows)	397	17	(965)	414	(2,062)
Market appreciation/(depreciation)	405	560	1,145	965	(2,110)
End of period assets	$ 10,793	$ 9,991	$ 8,839	$ 10,793	$ 8,839
Average assets during the period	$ 10,529	$ 9,796	$ 8,780	$ 10,162	$ 10,117
Fixed Income					
Beginning of period assets	$ 3,261	$ 3,324	$ 3,527	$ 3,324	$ 3,585
Inflows/(outflows)	168	10	(53)	178	(32)
Market appreciation/(depreciation)	28	(73)	56	(45)	(23)
End of period assets	$ 3,457	$ 3,261	$ 3,530	$ 3,457	$ 3,530
Average assets during the period	$ 3,354	$ 3,253	$ 3,523	$ 3,303	$ 3,588
Leveraged & Inverse					
Beginning of period assets	$ 1,521	$ 1,478	$ 896	$ 1,478	$ 1,138
Inflows/(outflows)	(2)	(5)	311	(7)	323
Market appreciation/(depreciation)	173	48	138	221	(116)
End of period assets	$ 1,692	$ 1,521	$ 1,345	$ 1,692	$ 1,345
Average assets during the period	$ 1,666	$ 1,555	$ 1,164	$ 1,611	$ 1,152
Cryptocurrency					
Beginning of period assets	$ 377	$ 168	$ 5	$ 168	$ 1
Inflows/(outflows)	8	36	8	44	13
Market appreciation/(depreciation)	(156)	173	2	17	1
End of period assets	$ 229	$ 377	$ 15	$ 229	$ 15
Average assets during the period	$ 300	$ 264	$ 11	$ 282	$ 7
Alternatives					
Beginning of period assets	$ 227	$ 214	$ 244	$ 214	$ 358
Inflows/(outflows)	(44)	—	(29)	(44)	(95)
Market appreciation/(depreciation)	11	13	10	24	(38)
End of period assets	$ 194	$ 227	$ 225	$ 194	$ 225
Average assets during the period	$ 228	$ 223	$ 226	$ 225	$ 277
Closed ETPs					
Beginning of period assets	$ 7	$ 9	$ 447	$ 9	$ 1,316
Assets sold	—	—	—	—	(778)
Inflows/(outflows)	(6)	1	(188)	(5)	30
Market appreciation/(depreciation)	3	(3)	93	—	(196)
Fund closures	(4)	—	(296)	(4)	(316)
End of period assets	$ —	$ 7	$ 56	$ —	$ 56
Average assets during the period	$ 5	$ 7	$ 538	$ 6	$ 882
Headcount:	227	227	214	227	214

Note: Previously issued statistics may be restated due to fund closures and trade adjustments
Source: WisdomTree

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Selected Operating and Financial Information

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change	Percent Change
Global AUM (in millions)				
Average global AUM	$73,658	$55,746	$17,912	32.1%
Operating Revenues (in thousands)				
Advisory fees	$75,997	$57,208	$18,789	32.8%
Other income	1,606	918	688	74.9%
Total revenues	$77,603	$58,126	$19,477	33.5%

Average Global AUM

Our average global AUM increased 32.1% from $55.7 billion at June 30, 2020 to $73.7 billion at June 30, 2021 due to market appreciation and net inflows.

Operating Revenues

Advisory fees

Advisory fee revenues increased 32.8% from $57.2 million during the three months ended June 30, 2020 to $76.0 million in the comparable period in 2021 due to higher average global AUM. Our average global advisory fee was 0.41% during both the three months ended June 30, 2020 and June 30, 2021, respectively.

Other income

Other income increased 74.9% from $0.9 million during the three months ended June 30, 2020 to $1.6 million in the comparable period in 2021 primarily due to higher fees associated with our European listed products.

Operating Expenses

(in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change	Percent Change
Compensation and benefits	$20,331	$17,455	$2,876	16.5%
Fund management and administration	16,195	14,461	1,734	12.0%
Marketing and advertising	3,594	1,949	1,645	84.4%
Sales and business development	2,159	2,181	(22)	(1.0%)
Contractual gold payments	4,314	4,063	251	6.2%
Professional fees	1,921	1,357	564	41.6%
Occupancy, communications and equipment	1,266	1,643	(377)	(22.9%)
Depreciation and amortization	256	251	5	2.0%
Third-party distribution fees	2,130	1,340	790	59.0%
Acquisition and disposition-related costs	—	33	(33)	n/a
Other	1,752	1,596	156	9.8%
Total operating expenses	$53,918	$46,329	$7,589	16.4%

As a Percent of Revenues:	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Compensation and benefits	26.2%	30.0%
Fund management and administration	20.9%	24.9%
Marketing and advertising	4.6%	3.3%
Sales and business development	2.8%	3.8%
Contractual gold payments	5.6%	7.0%
Professional fees	2.5%	2.3%
Occupancy, communications and equipment	1.6%	2.8%
Depreciation and amortization	0.3%	0.4%

As a Percent of Revenues:	Three Months Ended June 30, 2021	2020
Third-party distribution fees	2.7%	2.3%
Acquisition and disposition-related costs	—	0.1%
Other	2.3%	2.8%
Total operating expenses	69.5%	79.7%

Compensation and benefits

Compensation and benefits expense increased 16.5% from $17.5 million during the three months ended June 30, 2020 to $20.3 million in the comparable period in 2021 due to higher incentive compensation and headcount. Headcount was 214 and 227 at June 30, 2020 and June 30, 2021, respectively.

Fund management and administration

Fund management and administration expense increased 12.0% from $14.5 million during the three months ended June 30, 2020 to $16.2 million in the comparable period in 2021 due to higher average global AUM.

Marketing and advertising

Marketing and advertising expense increased 84.4% from $1.9 million during the three months ended June 30, 2020 to $3.6 million in the comparable period in 2021 as our spending in the prior year period was reduced at the onset of the COVID-19 pandemic.

Sales and business development

Sales and business development expense was essentially unchanged from the three months ended June 30, 2020.

Contractual gold payments

Contractual gold payments expense increased 6.2% from $4.1 million during the three months ended June 30, 2020 to $4.3 million in the comparable period in 2021. This expense was associated with the payment of 2,375 ounces of gold and was calculated using the average daily spot price of $1,711 and $1,816 per ounce during the three months ended June 30, 2020 and 2021, respectively.

Professional fees

Professional fees increased 41.6% from $1.4 million during the three months ended June 30, 2020 to $1.9 million in the comparable period in 2021 due to spending related to our digital assets initiative.

Occupancy, communications and equipment

Occupancy, communications and equipment expense decreased 22.9% from $1.6 million during the three months ended June 30, 2020 to $1.3 million in the comparable period in 2021 as we exited our London office.

Depreciation and amortization

Depreciation and amortization expense was essentially unchanged from the three months ended June 30, 2020.

Third-party distribution fees

Third-party distribution fees increased 59.0% from $1.3 million during the three months ended June 30, 2020 to $2.1 million in the comparable period in 2021 primarily due to higher fees paid to our third-party marketing agent in Latin America and higher fees for platform relationships.

Other

Other expenses were essentially unchanged from the three months ended June 30, 2020.

Other Income/(Expenses)

(in thousands)	Three Months Ended June 30, 2021	2020	Change	Percent Change
Interest expense	$(2,567)	$ (2,044)	$ (523)	25.6%
Gain/(loss) on revaluation of deferred consideration – gold payments	497	(23,358)	23,855	(102.1%)
Interest income	225	119	106	89.1%
Loss on extinguishment of debt	—	(2,387)	2,387	n/a
Other gains, net	49	1,819	(1,770)	(97.3%)
Total other expenses, net	$(1,796)	$(25,851)	$24,055	(93.1%)

As a Percent of Revenues:	Three Months Ended June 30, 2021	2020
Interest expense	(3.3%)	(3.5%)
Gain/(loss) on revaluation of deferred consideration – gold payments	0.6%	(40.2%)
Interest income	0.3%	0.2%
Loss on extinguishment of debt	—	(4.1%)
Other gains, net	0.1%	3.1%
Total other expenses, net	(2.3%)	(44.5%)

Interest expense

Interest expense increased 25.6% from $2.0 million during the three months ended June 30, 2020 to $2.6 million in the comparable period in 2021 due to a higher level of debt outstanding and a higher effective interest rate. Our effective interest rate during the three months ended June 30, 2020 and 2021 was 4.5% and 5.2%, respectively.

Gain/(loss) on revaluation of deferred consideration

We recognized a loss on revaluation of deferred consideration of ($23.4) million during the three months ended June 30, 2020 as compared to a gain of $0.5 million during the three months ended June 30, 2021. The gain in the current quarter arose due to a flattening of the forward-looking gold curve. The loss in the prior period arose due to an increase in forward-looking gold prices. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

Interest income

Interest income increased 89.1% from $0.1 million to $0.2 million due to an increase in our securities owned.

Loss on extinguishment of debt

During the three months ended June 30, 2020, we recognized a non-cash loss on extinguishment of debt of $2.4 million arising from the acceleration of debt issuance cost amortization in connection with the termination of our former credit facility on June 16, 2020.

Other gains, net

Other gains, net were $1.8 million and $0.0 million during the three months ended June 30, 2020 and 2021, respectively. Included in other gains, net during the three months ended June 30, 2020 is a gain of $0.9 million arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine. Gains and losses generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

Income taxes

Our effective income tax rate for the three months ended June 30, 2021 of 19.5% resulted in income tax expense of $4.3 million. Our effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a lower tax rate on foreign earnings.

Our effective income tax rate for the three months ended June 30, 2020 of 5.7% resulted in an income tax benefit of $0.8 million. Our effective income tax rate differs from the federal statutory tax rate of 21% due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a tax benefit of $2.8 million recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Selected Operating and Financial Information

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	Percent Change
Global AUM (in millions)				
Average global AUM	$ 71,623	$ 57,943	$13,680	23.6%
Revenues (in thousands)				
Advisory fees	$147,613	$120,158	$27,455	22.8%
Other income	2,820	1,842	978	53.1%
Total revenues	$150,433	$122,000	$28,433	23.3%

Average Global AUM

Our average global AUM increased 23.6% from $57.9 billion at June 30, 2020 to $71.6 billion at June 30, 2021 arising from market appreciation and net inflows.

Operating Revenues

Advisory fees

Advisory fee revenues increased 22.8% from $120.2 million during the six months ended June 30, 2020 to $147.6 million in the comparable period in 2021 due to higher average global AUM. Our average global advisory fee was 0.42% during both the six months ended June 30, 2020 and June 30, 2021, respectively.

Other income

Other income increased 53.1% from $1.8 million during the six months ended June 30, 2020 to $2.8 million in the comparable period in 2021 primarily due to higher fees associated with our European listed products.

Operating Expenses

(in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	Percent Change
Compensation and benefits	$ 42,958	$34,750	$ 8,208	23.6%
Fund management and administration	31,716	28,946	2,770	9.6%
Marketing and advertising	6,600	4,417	2,183	49.4%
Sales and business development	4,304	5,598	(1,294)	(23.1%)
Contractual gold payments	8,584	7,823	761	9.7%
Professional fees	3,934	2,630	1,304	49.6%
Occupancy, communications and equipment	2,741	3,194	(453)	(14.2%)
Depreciation and amortization	508	507	1	0.2%
Third-party distribution fees	3,473	2,695	778	28.9%
Acquisition and disposition-related costs	—	416	(416)	n/a
Other	3,323	3,593	(270)	(7.5%)
Total operating expenses	$108,141	$94,569	$13,572	14.4%

As a Percent of Revenues:	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Compensation and benefits	28.6%	28.5%
Fund management and administration	21.1%	23.7%
Marketing and advertising	4.4%	3.6%
Sales and business development	2.9%	4.6%
Contractual gold payments	5.7%	6.4%

As a Percent of Revenues:	Six Months Ended June 30, 2021	2020
Professional fees	2.6%	2.2%
Occupancy, communications and equipment	1.8%	2.6%
Depreciation and amortization	0.3%	0.4%
Third-party distribution fees	2.3%	2.2%
Acquisition and disposition-related costs	—	0.3%
Other	2.2%	3.0%
Total operating expenses	71.9%	77.5%

Compensation and benefits

Compensation and benefits expense increased 23.6% from $34.8 million during the six months ended June 30, 2020 to $43.0 million in the comparable period in 2021 due to higher incentive compensation and headcount.

Fund management and administration

Fund management and administration expense increased 9.6% from $28.9 million during the six months ended June 30, 2020 to $31.7 million in the comparable period in 2021 primarily due to higher average global AUM.

Marketing and advertising

Marketing and advertising expense increased 49.4% from $4.4 million during the six months ended June 30, 2020 to $6.6 million in the comparable period in 2021 as our spending in the prior year was reduced at the onset of the COVID-19 pandemic.

Sales and business development

Sales and business development expense decreased 23.1% from $5.6 million during the six months ended June 30, 2020 to $4.3 million in the comparable period in 2021 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

Contractual gold payments

Contractual gold payments expense increased 9.7% from $7.8 million during the six months ended June 30, 2020 to $8.6 million in the comparable period in 2021. This expense was associated with the payment of 4,750 ounces of gold and was calculated using the average daily spot price of $1,738 and $1,908 per ounce during the six months ended June 30, 2020 and 2021, respectively.

Professional fees

Professional fees increased 49.6% from $2.6 million during the six months ended June 30, 2020 to $3.9 million in the comparable period in 2021 due to spending related to our digital assets initiative.

Occupancy, communications and equipment

Occupancy, communications and equipment expense decreased 14.2% from $3.2 million during the six months ended June 30, 2020 to $2.7 million in the comparable period in 2021 as we exited our London office.

Depreciation and amortization

Depreciation and amortization expense was essentially unchanged from the six months ended June 30, 2020.

Third-party distribution fees

Third-party distribution fees increased 28.9% from $2.7 million during the six months ended June 30, 2020 to $3.5 million in the comparable period in 2021 due to higher fees paid to our third-party marketing agent in Latin America and higher fees for platform relationships.

Acquisition and disposition-related costs

Acquisition and disposition-related costs of $0.4 million during the six months ended June 30, 2020 arose due to the sale of our Canadian ETF business which was completed in February 2020.

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Other

Other expenses were essentially unchanged from the six months ended June 30, 2020.

Other Income/(Expenses)

(in thousands)	Six Months Ended June 30, 2021	2020	Change	Percent Change
Interest expense	$(4,863)	$ (4,463)	$ (400)	9.0%
Gain/(loss) on revaluation of deferred consideration – gold payments	3,329	(25,566)	28,895	(113.0%)
Interest income	456	282	174	61.7%
Impairments	(303)	(19,672)	19,369	(98.5%)
Loss on extinguishment of debt	—	(2,387)	2,387	n/a
Other losses, net	(5,844)	(688)	(5,156)	749.4%
Total other expenses, net	$(7,225)	$(52,494)	$45,269	(86.2%)

As a Percent of Revenues:	Six Months Ended June 30, 2021	2020
Interest expense	(3.2%)	(3.6%)
Gain/(loss) on revaluation of deferred consideration – gold payments	2.2%	(21.0%)
Interest income	0.3%	0.2%
Impairments	(0.2%)	(16.1%)
Loss on extinguishment of debt	—	(2.0%)
Other losses, net	(3.9%)	(0.5%)
Total other expenses, net	(4.8%)	(43.0%)

Interest expense

Interest expense increased 9.0% from $4.5 million during the six months ended June 30, 2020 to $4.9 million in the comparable period in 2020 due to a high level of debt outstanding, partly offset by a lower effective interest rate. Our effective interest rate during the six months ended June 30, 2020 and 2021 was 5.5% and 5.2%, respectively.

Gain/(loss) on revaluation of deferred consideration

We recognized a loss on revaluation of deferred consideration of ($25.6) million during the six months ended June 30, 2020 as compared to a gain of $3.3 million during the six months ended June 30, 2021. The gain in the current period was due to a decline in spot gold prices, partly offset by a steepening of the forward-looking gold curve. The loss in the prior period was due to an increase in forward-looking gold prices. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

Interest income

Interest income increased 61.7% from $0.3 million to $0.5 million due to an increase in our securities owned.

Impairments

During the six months ended June 30, 2021, we recognized an impairment charge of $0.3 million upon exiting our London office. During the six months ended June 30, 2020, we recognized a non-cash impairment charge of $19.7 million on our investment in AdvisorEngine.

Loss on extinguishment of debt

During the six months ended June 30, 2020, we recognized a non-cash loss on extinguishment of debt of $2.4 million arising from the acceleration of debt issuance cost amortization in connection with the termination of our former credit facility on June 16, 2020.

Other losses, net

Other losses, net were $0.7 million and $5.9 million during the six months ended June 30, 2020 and 2021, respectively. Included in the losses recognized during the six months ended June 30, 2020 and 2021 is a charge of $6.0 million and $5.2 million, respectively, arising from the release of a tax-related indemnification asset upon the expiration of the statute of limitations. An equal and offsetting benefit has been recognized in income tax expense. During the six months ended June 30, 2021, we also recognized an unrealized gain of $0.4 million on our investment in Securrency. In addition, during the six months ended June 30, 2020, we recognized a gain of $2.9 million associated with the sale of our Canadian ETF business and a gain of $0.9 million arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine. Gains and losses also generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

Income taxes

Our effective income tax rate for the six months ended June 30, 2021 of 6.5% resulted in income tax expense of $2.3 million. Our effective income tax rate differs from the federal statutory rate of 21% primarily due to a $5.2 million reduction in unrecognized tax benefits, a lower tax rate on foreign earnings and a non-taxable gain on revaluation of deferred consideration. These items were partly offset by tax shortfalls associated with the vesting and exercise of stock-based compensation and state and local taxes.

Our effective income tax rate for the six months ended June 30, 2020 of 12.7% resulted in an income tax benefit of $3.2 million. Our effective income tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a $6.0 million reduction in unrecognized tax benefits, a $2.9 million non-taxable gain recognized upon sale of our Canadian ETF business in the first quarter of 2020, a tax benefit of $2.8 million recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Non-GAAP Financial Measurements

In an effort to provide additional information regarding our results as determined by GAAP, we also disclose certain non-GAAP information which we believe provides useful and meaningful information. Our management reviews these non-GAAP financial measurements when evaluating our financial performance and results of operations; therefore, we believe it is useful to provide information with respect to these non-GAAP measurements so as to share this perspective of management. Non-GAAP measurements do not have any standardized meaning, do not replace nor are superior to GAAP financial measurements and are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measurements should be considered in the context with our GAAP results. The non-GAAP financial measurements contained in this Report include:

- *Adjusted net income and adjusted diluted earnings per share.* We disclose adjusted net income and adjusted diluted earnings per share as non-GAAP financial measurements in order to report our results exclusive of items that are non-recurring or not core to our operating business. We believe presenting these non-GAAP financial measures provides investors with a consistent way to analyze our performance. These non-GAAP financial measures exclude the following:
    - *Unrealized gains or losses on the revaluation of deferred consideration*: Deferred consideration is an obligation we assumed in connection with the ETFS acquisition that is carried at fair value. This item represents the present value of an obligation to pay fixed ounces of gold into perpetuity and is measured using forward-looking gold prices. Changes in the forward-looking price of gold and changes in the discount rate used to compute the present value of the annual payment obligations may have a material impact on the carrying value of the deferred consideration and our reported financial results. We exclude this item when arriving at adjusted net income and adjusted diluted earnings per share as it is not core to our operating business. The item is not adjusted for income taxes as the obligation was assumed by a wholly-owned subsidiary of ours that is based in Jersey, a jurisdiction where we are subject to a zero percent tax rate.
    - *Tax shortfalls and windfalls upon vesting and exercise of stock-based compensation awards*: GAAP requires the recognition of tax windfalls and shortfalls within income tax expense. These items arise upon the vesting and exercise of stock-based compensation awards and the magnitude is directly correlated to the number of awards vesting/exercised as well as the difference between the price of our stock on the date the award was granted and the date the award vested or was exercised. We exclude these items when determining adjusted net income and adjusted diluted earnings per share as they introduce volatility in earnings and are not core to our operating business.
    - *Other items*: An unrealized gain recognized on our investment in Securrency, impairment charges, interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the Convertible Notes (prior to January 1, 2021, the effective date of Accounting Standards Update 2020-06, *Debt – Debt with Conversion and Other Options, Cash Conversion),* a loss on extinguishment of debt, the release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from our debt previously outstanding in the United Kingdom, a gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine, a gain recognized upon the sale of our Canadian ETF business and acquisition and disposition-related costs are excluded when calculating our non-GAAP financial measurements.

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Adjusted Net Income and Diluted Earnings per Share:	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net income/(loss), as reported	$ 17,630	$ (13,250)	$ 32,777	$ (21,888)
Deduct/Add back: (Gain)/loss on revaluation of deferred consideration	(497)	23,358	(3,329)	25,566
Deduct: Unrealized gain recognized on our investment in Securrency, net of income taxes	(105)	—	(284)	—
Deduct/Add back: Tax (windfalls)/shortfalls upon vesting and exercise of stock-based compensation awards	(233)	119	(110)	620
Add back: Loss on extinguishment of debt, net of income taxes	—	1,910	—	1,910
Deduct: Release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from debt previously outstanding in the United Kingdom	—	(2,842)	—	(2,842)
Add back: Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes, net of income taxes	—	42	—	42
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of investment in AdvisorEngine	—	(868)	—	(868)
Add back: Impairments, net of income taxes (where applicable)	—	—	245	19,672
Deduct: Gain recognized upon sale of Canadian ETF business	—	—	—	(2,877)
Add back: Acquisition and disposition-related costs, net of income taxes	—	25	—	383
Adjusted net income	$ 16,795	$ 8,494	$ 29,299	$ 19,718
Deduct: Income distributed to participating securities	(538)	(552)	(1,096)	(1,107)
Deduct: Undistributed income allocable to participating securities	(1,277)	(364)	(2,145)	(1,020)
Adjusted net income available to common stockholders	$ 14,980	$ 7,578	$ 26,058	$ 17,591
Weighted average diluted shares, excluding participating securities (in thousands) (See Note 19 to our Consolidated Financial Statements)	148,814	151,623	147,004	152,071
Adjusted earnings per share - diluted	$ 0.10	$ 0.05	$ 0.18	$ 0.12

Liquidity and Capital Resources

The following table summarizes key data regarding our liquidity, capital resources and use of capital to fund our operations:

	June 30, 2021	December 31, 2020
Balance Sheet Data (in thousands):		
Cash and cash equivalents	$167,635	$ 73,425
Securities owned, at fair value	58,806	34,895
Accounts receivable	34,800	29,455
Securities held-to-maturity	370	451
Total: Liquid assets	261,611	138,226
Less: Total current liabilities	(64,784)	(73,999)
Less: Regulatory capital requirement – certain international subsidiaries	(12,439)	(10,745)
Total: Available liquidity	$184,388	$ 53,482

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash Flow Data (in thousands):		
Operating cash flows	$ (2,217)	$ 19,382
Investing cash flows	(5,846)	27,070
Financing cash flows	102,147	(70,085)
Foreign exchange rate effect	126	(1,084)
Increase/(decrease) in cash and cash equivalents	$ 94,210	$ (24,717)

Liquidity

We consider our available liquidity to be our liquid assets, less our current liabilities and regulatory capital requirements of certain international subsidiaries. Liquid assets consist of cash and cash equivalents, securities owned, at fair value, accounts receivable and securities held-to-maturity. Our securities owned, at fair value are highly liquid investments. Certain securities are accounted for as held-to-maturity securities and we have the intention and ability to hold them to maturity. However, these securities are also readily traded and, if needed, could be sold for liquidity. Accounts receivable are current assets and primarily represent receivables from advisory fees we earn from our ETPs. Our current liabilities consist primarily of payments owed to vendors and third parties in the normal course of business, deferred consideration and accrued incentive compensation for employees.

Cash and cash equivalents increased $94.2 million during the six months ended June 30, 2021 due to $150.0 million of proceeds received from the issuance of the 2021 Notes and $0.9 million provided by other activities. These increases were partly offset by $34.5 million used to repurchase our common stock, $9.9 million used to pay dividends on our common stock, $5.8 million used to purchase investments, $4.3 million used to pay the 2021 Note issuance costs and $2.2 million of net cash used in operating activities.

Cash and cash equivalents decreased $24.7 million during the six months ended June 30, 2020 due to $179.0 million used to repay our debt, $26.4 million used to repurchase our common stock, $10.3 million used to pay dividends on our common stock, $4.6 million used to pay the June 2020 Notes issuance costs and $1.2 million used in other activities. These decreases were partly offset by $150.0 million of proceeds from the issuance of the June 2020 Notes, $19.4 million of net cash provided by operating activities, $16.4 million of proceeds from held-to-maturity securities maturing or called prior to maturity, $8.2 million of proceeds from the sale of our financial interests in AdvisorEngine and $2.8 million of net proceeds from the sale of our Canadian ETF business.

Issuance of Convertible Notes

On June 14, 2021, we issued and sold $150.0 million in aggregate principal amount of 3.25% Convertible Senior Notes due 2026 (the “2021 Notes”) pursuant to an indenture dated June 14, 2021, between us and U.S. Bank National Association, as trustee, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (“Rule 144A”).

On June 16, 2020, we issued and sold $150.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the “June 2020 Notes”) pursuant to an indenture dated June 16, 2020, between us and the trustee, in a private offering to qualified institutional buyers pursuant to Rule 144A. On August 13, 2020, we issued and sold $25.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 at a price equal to 101% of the principal amount thereof, plus interest deemed to have accrued since June 16, 2020, and constitute a further issuance of, and form a single series with, our June 2020 Notes (the “August 2020 Notes” and together with the June 2020 Notes, the “2020 Notes”).

After the issuance of the 2021 Notes (and together with the 2020 Notes, the “Convertible Notes”), we had $325.0 million aggregate principal amount of Convertible Notes outstanding.

Key terms of the Convertible Notes are as follows:

	2021 Notes	2020 Notes
Maturity date (unless earlier converted, repurchased or redeemed)	June 15, 2026	June 15, 2023
Interest rate	3.25%	4.25%
Conversion price	$11.04	$5.92
Conversion rate	90.5797	168.9189
Redemption price	$14.35	$7.70

- *Interest rate*: Payable semiannually in arrears on June 15 and December 15 of each year.
- *Conversion price*: Convertible at an initial conversion rate of our common stock, per $1,000 principal amount of notes (equivalent to an initial conversion price as disclosed in the table above).
- *Conversion*: Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2026 and March 15, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, only under the following circumstances: (i) if the last reported sale price of our common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of our common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption delivered by us in accordance with the terms of the indentures but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2026 and March 15, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount*: Upon conversion, we will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At our election, we will also settle our conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted in either cash, shares of our common stock or a combination of cash and shares of its common stock.
- *Redemption price*: We may redeem for cash all or any portion of the notes, at our option, on or after June 20, 2026 and June 20, 2023 in respect of the 2021 Notes and 2020 Notes, respectively, and on or prior to the 55th scheduled trading day immediately preceding the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.
- *Limited investor put rights*: Holders of the Convertible Notes have the right to require us to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances*: In certain circumstances, conversions in connection with a “make-whole fundamental change” (as defined in the indentures) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 144.9275 shares and 270.2702 shares of our common stock per $1,000 principal amount of the 2021 Notes and 2020 Notes, respectively (the equivalent of 69,036,410 shares of our common stock), subject to adjustment.
- *Seniority and Security*: The 2021 Notes and 2020 Notes rank equal in right of payment, and are our senior unsecured obligations, but are subordinated in right of payment to our obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (See Note 12 to our Consolidated Financial Statements).

The indentures contain customary terms and covenants, including that upon certain events of default occurring and continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

Capital Resources

Our principal source of financing is our operating cash flow. We believe that cash flows generated by our operating activities and existing cash balances should be sufficient for us to fund our operations for the foreseeable future.

Our ability to satisfy our contractual obligations as they arise are discussed in the section titled "Contractual Obligations" below.

Use of Capital

Our business does not require us to maintain a significant cash position. However, certain of our international subsidiaries are required to maintain a minimum level of regulatory capital, which at June 30, 2021 was approximately $12.4 million in the aggregate. Notwithstanding these regulatory capital requirements, we expect that our main uses of cash will be to fund the ongoing operations of our business. We also maintain a capital return program which includes a $0.03 per share quarterly cash dividend and authority to purchase our common stock through April 27, 2022, including purchases to offset future equity grants made under our equity plans.

During the three months ended June 30, 2021, we repurchased 4,630,733 shares of our common stock under the repurchase program for an aggregate cost of $31.9 million. At June 30, 2021, $17.7 million remained under this program for future purchases.

Contractual Obligations

Convertible Notes

At June 30, 2021, we had $325.0 million aggregate principal amount of Convertible Notes outstanding, of which $175.0 million are scheduled to mature on June 15, 2023 and $150.0 million are scheduled to mature on June 15, 2026, unless earlier converted, repurchased or redeemed. Conditional conversions or a requirement to repurchase the Convertible Notes upon the occurrence of a fundamental change may accelerate payment.

The Convertible Notes require cash settlement of the principal amount, while settlement of the conversion obligation in excess of the aggregate principal amount may be satisfied in either cash, shares of our common stock or a combination of cash and shares of its common stock. We currently anticipate refinancing these obligations when due.

See "Issuance of Convertible Notes" above for additional information.

Deferred Consideration – Gold Payments

Deferred consideration represents an obligation we assumed in April 2018 in connection with our acquisition of the European exchange-traded commodity, currency and leveraged and inverse business of ETFS Capital Limited. The obligation is for fixed payments to ETFS Capital Limited of physical gold bullion equating to 9,500 ounces of gold per year through March 31, 2058 and then subsequently reduced to 6,333 ounces of gold continuing into perpetuity ("Contractual Gold Payments"). The present value of the deferred consideration was $226.7 million at June 30, 2021.

The Contractual Gold Payments are paid from advisory fee income generated by any of our sponsored financial products backed by physical gold with no recourse back to us for any unpaid amounts that exceed advisory fees earned.

See Note 9 to our Consolidated Financial Statements for additional information.

Operating Leases

Our principal executive office is currently located at 245 Park Avenue, New York, New York 10167. We lease approximately 38,000 square feet of office space under a lease that expires in August 2029, which includes a cancellation option that is effective on August 21, 2024. Total future minimum lease payments with respect to our office space was $25.8 million at June 30, 2021.

Cash flows generated by our operating activities and existing cash balances should be sufficient to satisfy the future minimum lease payments.

See Note 13 to our Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing or other arrangements and have neither created nor are party to any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business.

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Critical Accounting Policies

Goodwill and Intangible Assets

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. We test goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to our U.S. Business and European Business components. For impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics.

Goodwill is assessed for impairment annually on November 30th. When performing our goodwill impairment test, we consider a qualitative assessment, when appropriate, and a quantitative assessment using the market approach and our market capitalization when determining the fair value of the reporting unit.

Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair value is less than their carrying value. We may rely on a qualitative assessment when performing our intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for our intangible assets is November 30th.

Investments

We account for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed in ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment. See Note 7 to our Consolidated Financial Statements for information regarding a gain of $0.1 million and $0.4 million recognized on our investment in Securrency during the three and six months ended June 30, 2021.

Deferred Consideration – Gold Payments

Deferred consideration represents the present value of an obligation to pay gold to a third party into perpetuity and is measured using forward-looking gold prices observed on the CMX exchange, a selected discount rate and perpetual growth rate. The weighted average forward-looking gold price per ounce, discount rate and perpetual growth rate were $2,109, 9.0% and 1.4%, respectively, at June 30, 2021. Changes in the fair value of this obligation are reported as gain/(loss) on revaluation of deferred consideration – gold payments on our Consolidated Statements of Operations.

During the three months ended June 30, 2021, we reported a gain on deferred consideration – gold payments of $0.5 million. A 1.0% increase in the weighted average forward-looking gold price per ounce would have reduced this reported gain by $1.6 million, a 1 percentage point increase in the discount rate would have increased this reported gain by $23.8 million and a 1 percentage point increase in the perpetual growth rate would have reduced this reported gain by $20.4 million. See Note 9 to our Consolidated Financial Statements for additional information.

Revenue Recognition

We earn substantially all of our revenue in the form of advisory fees from our ETPs and recognize this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs' average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which we have a right to invoice.

Recently Adopted Accounting Pronouncements

On January 1, 2021, we early adopted ASU 2020-06, *Debt – Debt with Conversion and Other Options* (ASU 2020-06) under the modified retrospective approach. Under the ASU, the accounting for convertible instruments was simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments are reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception are removed and, as a result, more equity contracts will qualify for the scope exception. The ASU also simplifies the diluted earnings-per-share calculation in certain areas. Upon the adoption of this ASU, we reclassified the equity component related to the convertible notes, net of deferred taxes, reducing accumulated deficit by $0.6 million, increasing the carrying value of the convertible notes by $4.1 million, reducing additional paid-in capital by $3.7 million and reducing deferred tax liabilities by $1.0 million. These updates also reduced interest expense recognized on our convertible notes by approximately $0.4 million per quarter. See Note 11 to our Consolidated Financial Statements for additional information.

On January 1, 2021, we adopted ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. We have determined that the adoption of this standard did not have a material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following information, together with information included in other parts of this Management's Discussion and Analysis of Financial Condition and Results of Operations, describes key aspects of our market risk.

Market Risk

Market risk to us generally represents the risk of changes in the value of our ETPs that results from fluctuations in securities or commodity prices, foreign currency exchange rates against the U.S. dollar, and interest rates. Nearly all our revenues are derived from advisory agreements for the WisdomTree ETPs. Under these agreements, the advisory fee we receive is based on the average market value of the assets in the WisdomTree ETP portfolios we manage.

Fluctuations in the value of the ETPs are common and are generated by numerous factors such as market volatility, the global economy, inflation, changes in investor strategies and sentiment, availability of alternative investment vehicles, domestic and foreign government regulations, emerging markets developments and others. Accordingly, changes in any one or a combination of these factors may reduce the value of investment securities and, in turn, the underlying AUM on which our revenues are earned. These declines may cause investors to withdraw funds from our ETPs in favor of investments that they perceive as offering greater opportunity or lower risk, thereby compounding the impact on our revenues. We believe challenging and volatile market conditions will continue to be present in the foreseeable future.

Interest Rate Risk

We invest our corporate cash in short-term interest earning assets, primarily in our WisdomTree ETFs, federal agency debt instruments, corporate bonds, money market instruments at a commercial bank and other securities which totaled $36.0 million and $140.7 million as of December 31, 2020 and June 30, 2021, respectively. We do not anticipate that changes in interest rates will have a material impact on our financial condition, operating results or cash flows.

In addition, our Convertible Notes bear interest at a fixed rate of 3.25% to 4.25%. Therefore, we have no direct financial statement risk associated with changes in interest rates. However, the fair value of the Convertible Notes changes primarily when the market price of our common stock fluctuates or interest rates change.

Exchange Rate Risk

We are subject to currency translation exposure on the results of our non-U.S. operations, primarily in the United Kingdom and Europe. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities' statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. dollar) for consolidation purposes. The advisory fees earned on our international listed ETPs are predominantly in U.S. dollars (and also paid in gold ounces, as described below); however, expenses for corporate overhead are generally incurred in British pounds. Currently, we do not enter into derivative financial instruments aimed at offsetting certain exposures in the statement of operations or the balance sheet but may seek to do so in the future.

Exchange rate risk associated with the euro is not considered to be significant.

Commodity and Cryptocurrency Price Risk

Fluctuations in the prices of commodities and cryptocurrencies that are linked to certain of our ETPs could have a material adverse effect on our AUM and revenues. In addition, a portion of the advisory fee revenues we receive on our ETPs backed by gold, other precious metals and cryptocurrencies are paid in the underlying metal or cryptocurrency. In addition, we pay gold ounces to satisfy our deferred consideration obligation (See Note 9 to our Consolidated Financial Statements). While we readily sell the gold, precious metals and cryptocurrencies that we earn under these advisory contracts, we still may maintain a position. We currently do not enter into arrangements to hedge against fluctuations in the price of these commodities and cryptocurrencies and any hedging we may undertake in the future may not be cost-effective or sufficient to hedge against this exposure.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of June 30, 2021, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2021, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules, regulations and forms of the SEC, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2021, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

In addition to the risk factors and other information set forth below and elsewhere in this Report, you should carefully consider the information set forth in Part 1, Item1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

We may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes or to repurchase the Convertible Notes upon a fundamental change.

On June 14, 2021, we issued and sold $150.0 million in aggregate principal amount of 3.25% Convertible Senior Notes due 2026. After the issuance of these notes, we have $325.0 million in aggregate principal amount of Convertible Notes outstanding (see Note 11 to our Consolidated Financial Statements for additional information). Holders of our Convertible Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, as described in the indentures dated June 14, 2021 and June 16, 2020, between us and U.S. Bank National Association, as trustee. In addition, upon conversion of the Convertible Notes, we will be required to make cash payments in respect of the notes being converted as described in the indentures. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Further, if the fundamental change also constitutes a change of control under the Certificate of Designations for our Series A Preferred Stock and we are required to make other redemption payments as a result of the change of control, we would be required to satisfy that obligation before making any payments on the notes. Our failure to repurchase notes at a time when the repurchase is required by the indentures or to pay any cash payable on future conversions of the notes as required by the indentures would constitute a default under the indentures.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and liquidity.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option, as described in the indentures. If one or more holders elect to convert their notes, we would be required to settle any converted principal through the payment of cash, which could adversely affect our liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent sales of Unregistered Securities

On June 14, 2021, we issued $150.0 million in aggregate principal amount of 3.25% Convertible Senior Notes due 2026, which was previously disclosed in our Current Report on Form 8-K filed with the SEC on June 14, 2021.

Use of Proceeds

Refer to our Current Report on Form 8-K filed with the SEC on June 14, 2021.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" of shares of our common stock.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
April 1, 2021 to April 30, 2021	167,871	$ 6.45	167,871	
May 1, 2021 to May 31, 2021	—	$ —	—	
June 1, 2021 to June 30, 2021	4,462,862	$ 6.90	4,462,862	
Total	4,630,733	$ 6.88	4,630,733	$ 17,685

(1) On April 24, 2019, our Board of Directors extended the term of our share repurchase program for three years through April 27, 2022. During the three months ended June 30, 2021, we repurchased 4,630,733 shares of our common stock under this program for an aggregate cost of approximately $31.9 million. As of June 30, 2021, $17.7 million remained under this program for future repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
3.2	Certificate of Designations of Series A Non-Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018)
3.3	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form8-K, filed with the SEC on February 26, 2019)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
4.2	Amended and Restated Stockholders Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
4.3	Securities Purchase Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
4.4	Securities Purchase Agreement among the Registrant and certain investors dated October 15, 2009 (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
4.5	Third Amended and Restated Registration Rights Agreement dated October 15, 2009 (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)
4.6	Investor Rights Agreement, dated April 11, 2018, between the Registrant and ETFS Capital (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018)
4.7	Indenture, dated as of June 16, 2020, by and between the Registrant and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 17, 2020)
4.8	Form of Global Note, representing the Registrant's 4.25% Convertible Senior Notes due 2023 (included as Exhibit A to the Indenture filed as Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 17, 2020)
4.9	Indenture, dated as of June 14, 2021, by and between the Registrant and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 14, 2021)
4.10	Form of Global Note, representing the Registrant's 3.25% Convertible Senior Notes due 2026 (included as Exhibit A to the Indenture filed as Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 14, 2021)
31.1(1)	Certification of Chief Executive Officer and Principal Executive Officer pursuant to Rule 13a-14 of the Exchange Act
31.2 (1)	Certification of Chief Financial Officer and Principal Financial Officer pursuant to Rule 13a-14 of the Exchange Act
32 (1)	Section 1350 Certification
101 (1)	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2021, formatted in XBRL: (i) Consolidated Balance Sheets at June 30, 2021 (Unaudited) and December 31, 2020; (ii) Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three and six months ended June 30, 2021 and June 30, 2020 (Unaudited); (iii) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and June 30, 2020 (Unaudited) (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and June 30, 2020 (Unaudited); and (v) Notes to Consolidated Financial Statements, as blocks of text and in detail.
101.SCH (1)	Inline XBRL Taxonomy Extension Schema Document

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Exhibit No.	Description
101.CAL (1)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB (1)	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 (1)	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

(1) Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on this 6th day of August 2021.

WISDOMTREE INVESTMENTS, INC.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
Chief Executive Officer
(Principal Executive Officer)

WISDOMTREE INVESTMENTS, INC.

By: /s/ Bryan Edmiston
Bryan Edmiston
Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Jonathan Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2021

Exhibit 31.2

CERTIFICATION

I, Bryan Edmiston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Bryan Edmiston

Bryan Edmiston
Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2021

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of WisdomTree Investments, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), we, Jonathan Steinberg, Chief Executive Officer of the Company and Bryan Edmiston, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished and not filed, and shall not be incorporated into any documents for any purpose, under the Exchange Act of 1934, as amended. A signed original of this written statement require by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

By: /s/ Jonathan Steinberg
Jonathan Steinberg
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bryan Edmiston
Bryan Edmiston
Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2021