
WISDOMTREE CEO: I AM ALL IN ON DEFI

WisdomTree
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WisdomTree held its third quarter earnings call on October 29th where a key focus was around growth initiatives for today and for tomorrow. In the core business today, that means bringing new ETFs and sophisticated model portfolios to market. To prepare for a transformative future where financial services begin to migrate onto the [blockchain](#), WisdomTree will be an early leader with tokenized assets and a blockchain-native wallet.

WisdomTree's deep understanding and prioritization of first principles like transparency, disclosures, and consumer protection are all critically aligned with regulatory goals, so we are uniquely positioned to offer a still early-to-market and easy-to-use DeFi access point without the contentious regulatory relationship.

To underscore that point, we'd point to an exchange on our earnings call between a sell-side analyst and our Chief Executive Officer, Jono Steinberg, that we believe provides important context about the future of financial services and where WisdomTree fits.

The last two questions of the earnings call came from Goldman Sachs Analyst Ryan Bailey. We edited responses for clarity of discussion.

Bailey: *I think WisdomTree has always been a business that's evolved. You've transitioned from being an index creator to a pioneer in the ETF space, in particular, [Smart Beta](#). So my question is, are we at a cusp of the next evolution of the business? And if we were to roll forward, say, five years, is WisdomTree going to be a [DeFi](#) business that has ETFs? Or an ETF business that's pioneering DeFi? Or is that just completely the wrong characterization?*

Jono Steinberg:

WisdomTree really has been a business that has evolved. We started as a financial media company, Individual Investor Group, transitioned to ETFs when I saw how transformative they were for the investing process.

I would say that I am now personally all in on DeFi.

I say that because I believe it's going to meaningfully change the user experience for the positive; and from a business standpoint, transform the economics of financial services.

I believe that over the next five years, we will be recognized as a DeFi business that has an ETF business.

Said a different way: WisdomTree is in the business of transparent exposures, whether we're doing it in regulated tokens or through ETFs.

I think they'll prove to be quite complementary. We are 30 years into ETFs and yet the [mutual fund](#) industry is still very, very strong. I remain very [bullish](#) on ETFs.

But when I think about where WisdomTree stacks in the competitive set: we were early in ETFs, but we were 13 years after State Street and 7 years after iShares.

Here, we have a chance to be first through the door with this new wrapper.

I really see a massive opportunity.

I think that's what we'll be defined as over time, a DeFi company.

Bailey: Got it. And to make sure I am thinking about this, right, by having a well-established and scaled ETF business, the moment you have the mechanism or platform, you will start pioneering DeFi?

Jono Steinberg:

For starters, they're very complementary. What has us so excited about this new journey was how well our core business mapped to the future.

We've communicated that we're spending \$4 million on digital assets in 2021.

We're trying to be as efficient as possible to help maintain our margins.

We've been asking a number of people to wear two hats. We're transitioning to building a pure Digital Assets team and we have eight or nine people in that space now. It's very, very helpful.

The expertise that we have as the third largest gold manager in the world makes what we're going to do on gold tokens very important and that works the same for tokenized treasuries.

And one of the things that DeFi needs is responsible DeFi, which means regulated DeFi.

The market needs to get things through regulators and—that really is one of our strengths.

I think the regulators are viewing WisdomTree in this new world as a trusted solutions provider and so we're really trying to work out the issues, because obviously the standards can't be different in a digital asset world.

You need to be maintaining the foundational principles of regulation of "know your customer" and anti-money laundering and disclosures. And all of those things that make financial services trustworthy, have to come over to the new world order of distributed ledger tech and so we think we can be that bridge brand that could pull this off.

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DEFINITIONS

Blockchain...: a distributed ledger system in which a record of transactions made in cryptocurrencies are maintained across computers linked in a peer-to-peer network

Smart Beta...: A term for rules-based investment strategies that don't use conventional market-cap weightings.

Decentralized Finance (DeFi)...: A system by which financial products become available on a public decentralized blockchain network.

Mutual Funds...: An investment vehicle made up of a pool of moneys collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets.

Bullish...: a position that benefits when asset prices rise.