THE WISDOMTREE PORTFOLIO REVIEW, PART THREE: COLLABORATION MODELS

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This article is relevant to financial professionals who are considering offering model portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these Model Portfolios.

We are now on the third and final part of our "mini-series" of blog posts reviewing the Q1 2023 performances of our Model Portfolios. Part one focused on our strategic models, part two focused on our outcome-focused models and in this final entry into the series, we focus on our collaboration models.

First, let's define terms. We use the term "collaboration" as it is defined—"the action of working with someone to produce or create something." We recognize that other people and firms have smart ideas and/or good products, and we actively seek to find partners willing to collaborate with us to deliver outstanding solutions.

An active part of our models business is to collaborate with RIAs, wirehouses, IBDs and other platforms to construct and manage customized models that fit those firms' specific investment mandates. As they are customized and sometimes proprietary, we cannot show those models on our Model Adoption Center, but they represent at least 50% of the total AUM in models that we manage, and we welcome that business.

A growing part of that is our Portfolio and Growth Solutions platform. On this platform, we not only help build models with advisors, but we also then take on the implementation, trading and ongoing rebalancing (including tax management, if desired) of those portfolios on the advisor's behalf, freeing them up to spend more time on revenue-generating activities.

But we do have three publicly available collaboration models we can discuss—the Select models that we manage in collaboration with PIMCO, the U.S. Growth series, which we developed in coordination with a large RIA and, of course, our flagship collaboration with Professor Jeremy Siegel in the Siegel-WisdomTree Global Equity and Longevity models.

Let's take a look.

Siegel-WisdomTree Models

We have written extensively about these models, most recently in early March when we reviewed our overall 2022 performances. So here we just provide a quick reminder of what these models are all about and why we collaborate so closely with Professor Siegel on them.

The investment thesis was to challenge the ability of the traditional 60/40 portfolio to deliver on what we believe are the four primary objectives of most investors:

- Maintain or enhance current lifestyle by optimizing current income.
- Minimize "longevity risk," or the risk of outliving your portfolio.
- Maximize the potential for leaving a legacy; and

- Minimize fees and taxes along the way.

The Siegel-WisdomTree Longevity model attempts to solve for exactly these issues. Its strategic allocations are 75% stocks and 25% bonds (though we currently have ~5% allocated to managed futures for diversification purposes, with the equity allocation focused on value-oriented and dividend-paying strategies.

The result is a portfolio that, in comparison to a traditional 60/40: (1) generates enhanced current income; (2) has an improved longevity profile because of the heavier allocation to stocks; and (3) has only a slightly higher standard deviation (i.e., short-term volatility profile) than the traditional 60/40. Because of its “tilts” toward value and dividend stocks, it tends to have a lower beta profile, so the standard deviation is close to the 60/40 portfolio despite its heavier allocation to equities.

The Siegel-WisdomTree Global Equity portfolio is constructed in a similar fashion but allows advisors to manage their own fixed income allocations if they so desire.

Q1 saw these models outperform their benchmarks, where we use the MSCI ACWI Value Index as the equity benchmark and the Bloomberg U.S. Aggregate Index for fixed income. While value dramatically underperformed growth in Q1 (a distinct headwind for our inherent tilts), our relative performances were carried by strong results in our large-cap EAFE and managed futures allocations.

We also overlay a distinct quality filter within these portfolios, and this provided additional marginal relative performance. All that said, we don’t believe the “re-rotation” back toward growth stocks in Q1 is a long-term trend, and we remain comfortable with our overall positioning for the medium and long term.

Considering heightened uncertainty regarding the economy, corporate earnings and the banking system, however, we did take moves at our April Model Portfolio Investment Committee meeting to reduce our active bets versus our benchmarks and to lower our exposure to financials and banks.

Since inception more than three years ago, these portfolios have comfortably outperformed their benchmarks. In the case of the longevity model, this includes both a 75/25 benchmark and the more traditional 60/40 benchmark.

Siegel-WisdomTree Longevity Model

3.48%	0.28%	11/30/2019	72% | 23% | 5%
Model 12-Month Dividend Yield (As of 03/31/2023)	Model Expense Ratio	Inception date	Equity | Fixed Income | Alternative

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 3/31/2023	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Siegel-WisdomTree Longevity Model (NAV)	0.47%	3.22%	3.22%	-5.32%	11.75%	-	-	4.18%
Siegel-WisdomTree Longevity Model (MP)	0.59%	3.29%	3.29%	-5.20%	11.86%	-	-	4.16%
75% MSCI ACWI Value - 25% Bloomberg U.S. Aggregate Bond Index	0.38%	1.68%	1.68%	-5.14%	10.67%	-	-	3.21%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	0.81%	1.94%	1.94%	-4.99%	7.95%	-	-	2.39%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

The Model Portfolio performance results shown are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment. Thus, the performance shown does not reflect the impact that economic and market factors had or might have had on decision-making if actual investor money had been managed and allocated per the Model Portfolio. The actual performance achieved in seeking to follow the Model Portfolio may differ from the theoretical performance shown for a number of reasons, including the timing of implementation of trades (including rebalancing trades to adjust to Model Portfolio changes), market conditions, fees and expenses (e.g., brokerage commissions, deduction of advisory or other fees or expenses charged by advisors or other third parties to investors, strategist fees and/or platform fees), contributions, withdrawals, account restrictions, tax consequences and/or other factors, any or all of which may lower returns. While the Model Portfolio performance may have been better than the benchmark for some or all periods shown, the performance during any other period may not have been, and there is no assurance that the Model Portfolio performance will be better than the benchmark in the future. The Model Portfolio performance calculations assume reinvestment of dividends, are pre-tax and are net of Fund expenses.

ETF shares are bought and sold at market price (not NAV) and are not individually redeemable from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times. Model 12-month yield is calculated using the weighted average trailing 12-month distribution yields of the Fund constituents. Funds incepted less than 12 months ago do not have a trailing 12-month dividend yield. Model expense ratio refers to the weighted average expense ratios of the Fund constituents.

For the most recent month-end performance and current 30-Day Sec Standardized Yield, please click here.

Siegel-WisdomTree Global Equity Model

3.31%
Model 12-Month Dividend Yield
(As of 03/31/2023)

0.30%
Model Expense Ratio

11/30/2019
Inception date

100%
Equity

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 3/31/2023	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Siegel-WisdomTree Global Equity Model (NAV)	0.15%	3.38%	3.38%	-5.09%	16.04%	-	-	5.76%
Siegel-WisdomTree Global Equity Model (MP)	0.29%	3.51%	3.51%	-4.94%	16.18%	-	-	5.76%
MSCI ACWI Value	-0.35%	1.24%	1.24%	-5.50%	15.24%	-	-	4.42%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

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Select Models (with PIMCO)

These are multi-asset portfolios that we manage in coordination with PIMCO. All the equity allocations are WisdomTree products, while all the fixed income products are from PIMCO, a market leader in fixed income asset management.

WisdomTree is the "lead" portfolio manager, but our CIO of Fixed Income works closely with PIMCO to ensure that our outlooks and allocations remain aligned.

Q1 2023 saw these portfolios deliver a mixed bag of relative performances, with our conservative and moderate portfolios outperforming but our aggressive portfolio underperforming due primarily to its higher allocations to bank-ravaged mid-cap and multifactor equity exposures. Since inception in December 2013, however, all three models have outperformed their benchmarks. Here we use the "moderate" (60/40) model as an example.

WisdomTree Select Moderate Model Portfolio (including PIMCO ETFs)

3.01%	0.30%	12/18/2013	60% | 40%
Model 12-Month Dividend Yield (As of 03/31/2023)	Model Expense Ratio	Inception date	Equity | Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 3/31/2023	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Select Moderate Model Portfolio (including PIMCO ETFs) (NAV)	1.40%	4.10%	4.10%	-3.93%	9.36%	4.33%	-	5.27%
WisdomTree Select Moderate Model Portfolio (including PIMCO ETFs) (MP)	1.60%	4.21%	4.21%	-3.71%	9.54%	4.26%	-	5.20%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	0.81%	1.94%	1.94%	-4.99%	7.95%	3.28%	-	3.79%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

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For the most recent month-end performance and current 30-Day Sec Standardized Yield, please click here.

U.S. Growth Model

These models were developed in coordination with a large RIA that liked our approach to asset allocation and risk factor diversification but wanted a U.S.-only model to deploy with their client base. We were happy to help.

Although this is a customized model, it is available to other advisors on different platforms, so we are able to show performance and portfolio specifics.

The thesis behind these models, on the equity side, is similar to that of our U.S. multifactor model, which is then combined with a variation of our fixed income model and offered at different risk bands (conservative, moderate, aggressive, etc.).

Using the "moderate" (60/40) model as an example, we see underperformance in Q1 versus its primary benchmark (a combination of 60% Russell 3000 Equity Index and 40% Bloomberg U.S. Aggregate Bond Index. We saw similar underperformance levels in the other risk bands, driven by our value and SMID cap exposures within these portfolios.

If, however, we use the MSCI US Diversified Multi-Factor Index as a second equity index (an index more aligned with how we constructed and manage this portfolio), we see outperformance.

We see similar since-inception relative performances across all risk profiles.

WisdomTree U.S. Moderate Growth Model Portfolio

2.44% Model 12-Month Dividend Yield (As of 03/31/2023)

0.20% Model Expense Ratio

10/31/2019 Inception date

60% Equity | **40%** Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 3/31/2023	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree U.S. Moderate Growth Model Portfolio (NAV)	1.34%	4.08%	4.08%	-4.43%	10.15%	-	-	4.64%
WisdomTree U.S. Moderate Growth Model Portfolio (MP)	1.40%	4.08%	4.08%	-4.48%	10.22%	-	-	4.64%
60% Russell 3000 Index - 40% Bloomberg U.S. Aggregate Bond Index	2.62%	5.49%	5.49%	-6.76%	9.84%	-	-	5.92%
60% MSCI US Diversified Multi-Factor Index - 40% Bloomberg U.S. Aggregate Bond Index	2.02%	3.85%	3.85%	-6.59%	8.59%	-	-	4.19%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

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Conclusion

As we saw in our strategic and outcome-focused models, there were things that worked and things that didn't work as well for us in Q1. Our allocations to developed international (EAFE) and large-cap quality helped us. Our shorter duration profile in fixed income, in a quarter when rates fell, did not help us, nor did our allocations to value, dividend and SMID stocks.

This, of course, is exactly why we diversify at both the asset class and risk factor levels—our primary objective is to deliver more consistent performance over full market regimes. Our collective since-inception performances provide support for the "wisdom" (pun intended) of this approach.

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+ The WisdomTree Q2 Portfolio Review, Part Two: Outcome-Focused Models

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You cannot invest directly in an index.

DEFINITIONS

60/40 Portfolio : A portfolio of 60% equities and 40% fixed income.

Stock : A stock (also known as equity) is a security that represents the ownership of a fraction of a corporation. This entitles the owner of the stock to a proportion of the corporation's assets and profits equal to how much stock they own. Units of stock are called "shares."

Bond : A fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over tim.

Dividend : A portion of corporate profits paid out to shareholders.

MSCI ACWI Value Index : A free-float adjusted market capitalization-weighted index that is designed to measure securities exhibiting overall value style characteristics of developed and emerging markets.

Bloomberg U.S. Aggregate Bond Index : Represents the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, as well as mortgage and asset backed securities.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Large-Capitalization (Large-Cap) : A term used by the investment community to refer to companies with a market capitalization value of more than $10 billion. Large cap is an abbreviation of the term “large market capitalization”. Market capitalization is calculated by multiplying the number of a company’s shares outstanding by its stock price per share.

EAFE : Refers to the geographical area that is made up of Europe, Australasia and the Far East.

Managed futures : An alternative investment strategy in which futures contracts are used as part of the investment strategy.

SMID caps : A contraction of “small and mid caps”, i.e. listed companies with small and medium-sized capitalizations.