IT'S TIME TO LOOK AT VALUE STRATEGIES!

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The first eight months of 2023 have been, in a word, surprising. After a difficult 2022 performance year, across multiple asset classes, growth equities are suddenly back in favor. For those of us who have started hearing the phrase, "Magnificent 7," in reference to the narrow leadership of large Tech companies, it is a reminder of when acronyms like FANG get created. The creation of acronyms or nicknames for shorthand illustrative purposes could be a signal that a rally is getting a bit long in the tooth.

As we write these words, the eyes of the market are focused on Nvidia. This is a company that embodies the 2023 hype around generative artificial intelligence and all of the growth expected to come from that field. Even if it will take years to truly gauge the impact of how generative AI will translate to increased revenues and profits, some days in 2023 one might look at Nvidia's year-to-date return and figure the market is pricing in all of that future impact immediately.

Even if the people we speak to appreciate Nvidia's technology and position within the semiconductor market, to a person, they also tend to say something else—Nvidia's valuation is expensive.

Think about Value before It Heats Up

None of us knows the future, but all of us can recognize there is a difference between finding the Magnificent 7 in late 2022 when stocks and bonds delivered substantially negative returns versus finding these same stocks in August 2023 after they have performed strongly enough to warrant their own nickname. When we mention "value," it's about seeking to get ready for that next shift in market leadership.

For the first eight months of 2023 there was the Nasdaq 100 Index and then there were all the other benchmarks. The Nasdaq 100 was so heavily weighted to the Magnificent 7 that it needed to run a special rebalance to re-diversify its exposure.[1]

The value side of the ledger has been clearly trailing.

However, we noticed something when comparing the 2023 returns of the Russell 1000 Value Index and the WisdomTree U.S. Value Fund (WTV)[2]:

- The Russell 1000 Value Index was up roughly 4.46%
- WTV was up roughly 11.45%

That is a significant difference during a period where the overall value style has not been the winning strategy.

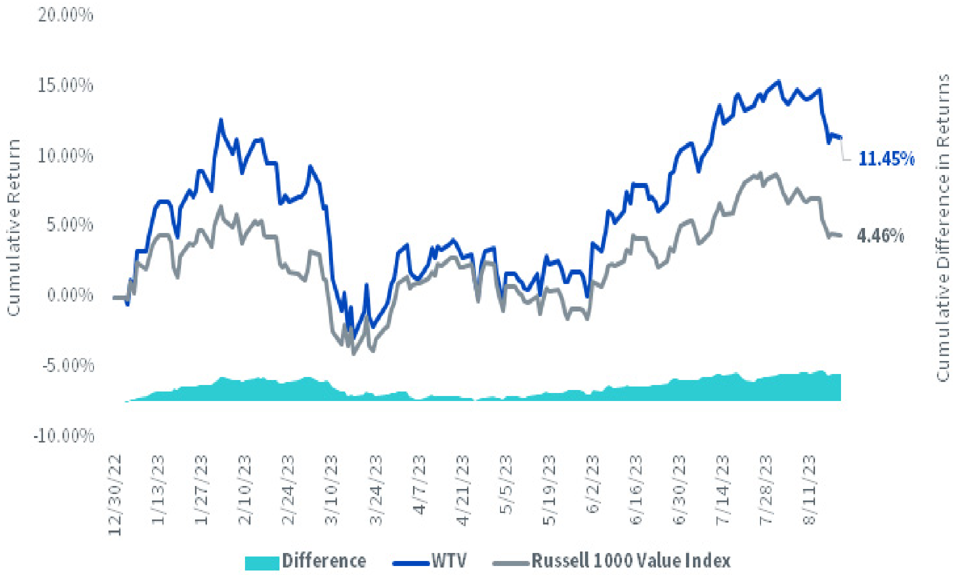
Figure 1a: Standardized Returns as of June 30, 2023

Name	Fund Inception Date	Fund Expense Ratio	Fund Ticker Symbol	30-Day SEC Yield (Fund Only)	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree U.S. Value Fund (NAV)	2/23/07	0.12%	WTV	1.70%	10.50%	20.01%	18.89%	10.83%	11.52%	7.63%
WisdomTree U.S. Value Fund (Market Price)	2/23/07	0.12%	WTV	1.70%	10.48%	20.13%	18.86%	10.79%	11.53%	7.64%
Russell 1000 Value Index	N/A	N/A	N/A	N/A	5.12%	11.54%	14.30%	8.11%	9.22%	N/A

Source: WisdomTree. **Past performance is not indicative 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.** An investment cannot be made into an index. The Fund's objective changed effective 12/18/17. Prior to 12/18/17, Fund performance reflects the investment objective of the Fund when it tracked the performance, before fees and expenses, of the WisdomTree U.S. LargeCap Value Index. The Fund's name, objective and strategy changed effective 1/3/22. Prior to 1/3/22, Fund performance reflects the investment objective of the Fund when it was the WisdomTree U.S. Quality Shareholder Yield Fund (QSY) and tracked the performance, before fees and expenses, of the WisdomTree U.S. Quality Shareholder Yield Index.

For the most recent month-end performance and 30-day SEC yield, click here.

Figure 1b: WTV Has Significantly Outperformed the Russell 1000 Value Index in 2023



Source: WisdomTree's Fund Comparison Tool, as of 8/21/23. Past performance is not indicative of future results. WTV's returns are measured in NAV Total Return terms. An investment cannot be made directly into an index.

Drivers of the Differentiated Returns

Outperformance, particularly over short periods of time, means very little if we cannot also note why it has occurred and whether its drivers may be maintained over a longer period of time. In figure 2, we can look at the attributions of WTV relative to the Russell 1000 Value Index by sector, and we notice:

- The three sectors with the biggest positive contribution to WTV's outperformance were Industrials, Health Care and Consumer Discretionary. It's interesting, in that Industrials was all about stock selection (having a similar weight as the benchmark but stronger performance), Health Care was about being under-weight by nearly 8%, and Consumer Discretionary was about being over-weight by roughly 10.5%. Three sectors, three different ways relative attribution was added.

- Only two sectors during this period were responsible for a negative contribution to relative returns—Energy and Materials. Energy was THE sector to own in 2022, but clearly that situation shifted during 2023.

Figure 2: WTV Sector Attribution vs. Russell 1000 Value Index (12/31/22–7/31/23)

Sector	WTV	Russell 1000 Value	Difference in Exposure	WTV Return	Russell 1000 Value Return	Total Attribution
Industrials	11.80%	11.06%	0.74%	33.09%	16.33%	1.80%
Health Care	8.49%	16.38%	-7.89%	3.43%	-3.49%	1.64%
Consumer Discretionary	16.30%	5.80%	10.49%	21.01%	16.00%	1.50%
Utilities	1.61%	5.49%	-3.88%	11.57%	-2.96%	0.71%
Real Estate	2.84%	4.71%	-1.88%	26.35%	7.17%	0.52%
Information Technology	11.06%	7.70%	3.36%	25.46%	27.97%	0.36%
Consumer Staples	1.66%	7.64%	-5.99%	-0.62%	4.42%	0.20%
Financials	18.72%	20.86%	-2.14%	6.76%	5.66%	0.17%
Communication Services	7.02%	7.86%	-0.84%	40.44%	33.51%	0.05%
Materials	11.16%	4.47%	6.70%	7.14%	10.85%	-0.12%
Energy	9.34%	8.02%	1.33%	0.65%	1.76%	-0.20%
Total				**15.45%**	**8.82%**	**6.63%**

Source: FactSet. **Past performance is not indicative of future results.**

Focusing on Share Repurchases

There are myriad ways to create a value strategy. The journey through the history of asset management might have started with a focus on companies with a high book value relative to market capitalization, but in August 2023, if you can think of a fundamental it's probably possible to find a strategy that accounts for it.

WisdomTree has been managing dividend-focused equity strategies since 2006. We have frequently been asked some form of the question—what do you do about share buybacks? There are many companies that do extensive share buybacks (think of the big Tech companies), but that do not pay dividends.

If people are wondering whether share repurchases make a difference, we tend to approach the question from two sides, in somewhat of a pincer movement:

- Companies that are able to buy back a lot of shares, reducing their shares outstanding, are making each remaining share eligible for a larger amount of claim to the firm's profits. It's also a signal that the firms are not using cash to enrich managers, perform questionable acquisitions or do other things that may be less favorable to future returns.

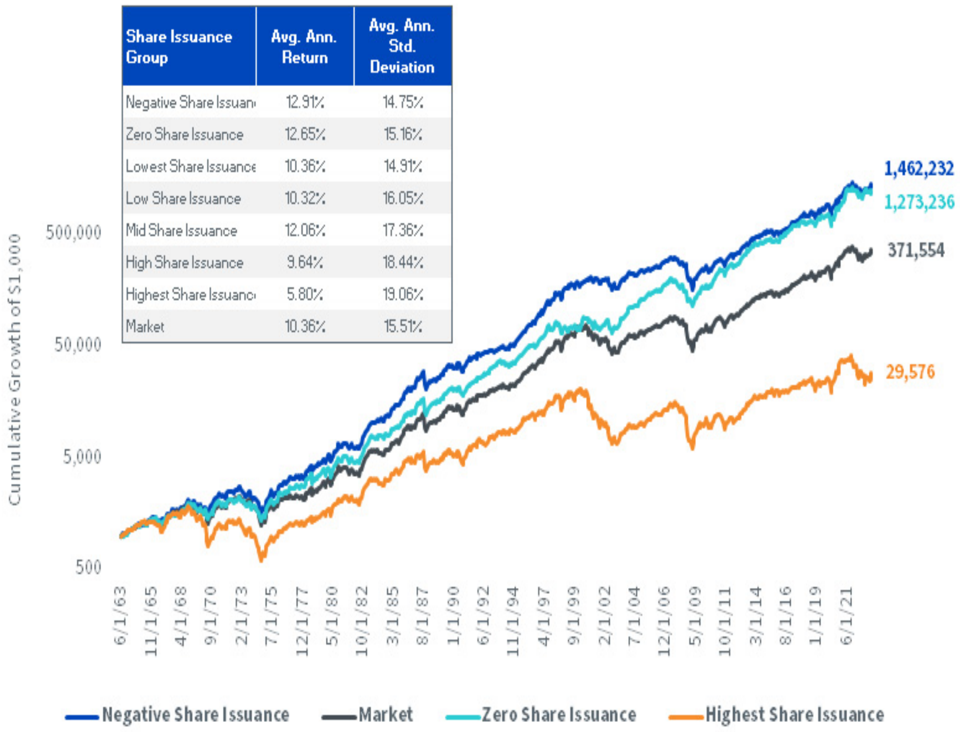
- Companies that are issuing a lot of shares and increasing their shares outstanding, clearly need money. It's a signal that the money they need is not yet coming from operating the business, which may not be a positive sign for the long term.

We can test this thinking with data from the Kenneth French Data Library over a long period of time, all the way back to 1963. We see that, in figure 3:

- Companies with negative share issuance outperformed both the market generally as well as companies that were issuing shares. The margin was substantial on an average annual basis, and it was accomplished with lower average annual risk.

- Companies with the highest share issuance (like we mentioned, those that clearly needed money), had the lowest average annual return over this period with the highest average annual standard deviation. This is not a great combination.

Figure 3: Long-Term Performance Impact of Different Levels of Share Issuance (6/30/1963–6/30/2023)



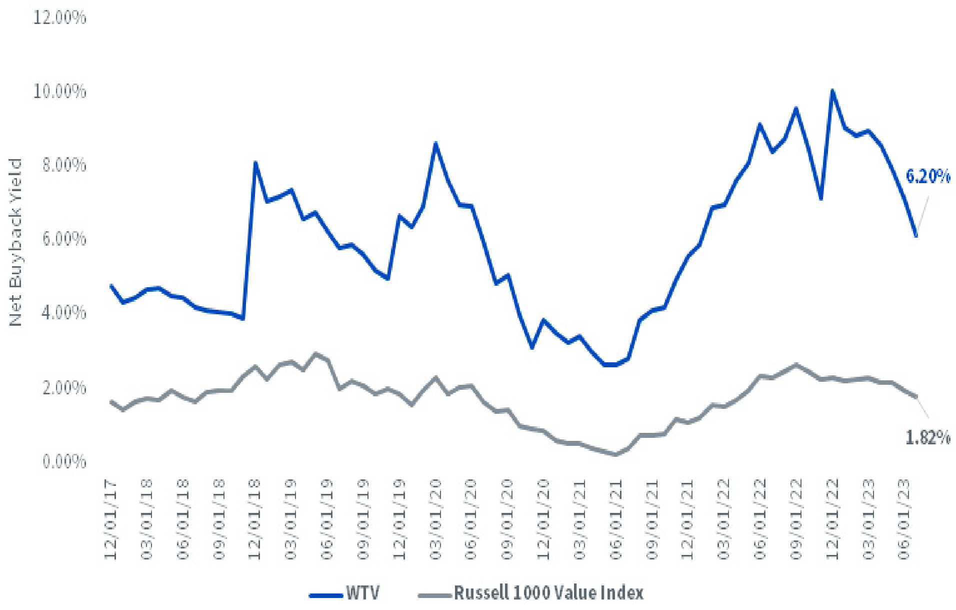
Share Issuance Group	Avg. Ann. Return	Avg. Ann. Std. Deviation
Negative Share Issuan	12.91%	14.75%
Zero Share Issuance	12.65%	15.16%
Lowest Share Issuance	10.36%	14.91%
Low Share Issuance	10.32%	16.05%
Mid Share Issuance	12.06%	17.36%
High Share Issuance	9.64%	18.44%
Highest Share Issuanc	5.80%	19.06%
Market	10.36%	15.51%

Source: Kenneth French Data Library. Past performance is not indicative of future results. All U.S. listed public companies for which there is available data were sorted based on their levels of share issuance. Negative share issuance refers to a company that on a net basis is ending a period with less shares outstanding than when starting a period, in other words a firm that is doing net buybacks. The Market refers to all listed public companies for which there is available data.

WTV was designed, first and foremost, with a focus on share buybacks and an overall look at the concept of total shareholder yield, which combines dividends and buybacks. The typical company to be included would be likely to have a high total shareholder yield relative to the market, as this is the manner in which WTV accesses what we think of as the value factor.

We see here as of July 31, 2023, WTV's net buyback yield was 6.20%, versus 1.28% for the Russell 1000 Value Index. If WTV is outperforming—which is what we have seen so far in 2023—this is the first place to look for the underlying rationale.

Figure 4: Quantifying the Net Buyback Yield over Time: WTV vs. Russell 1000 Value Index



Source: WisdomTree's Fund Comparison tool, with data calculated 12/31/17–7/31/23. **Past performance is not indicative of future results.**

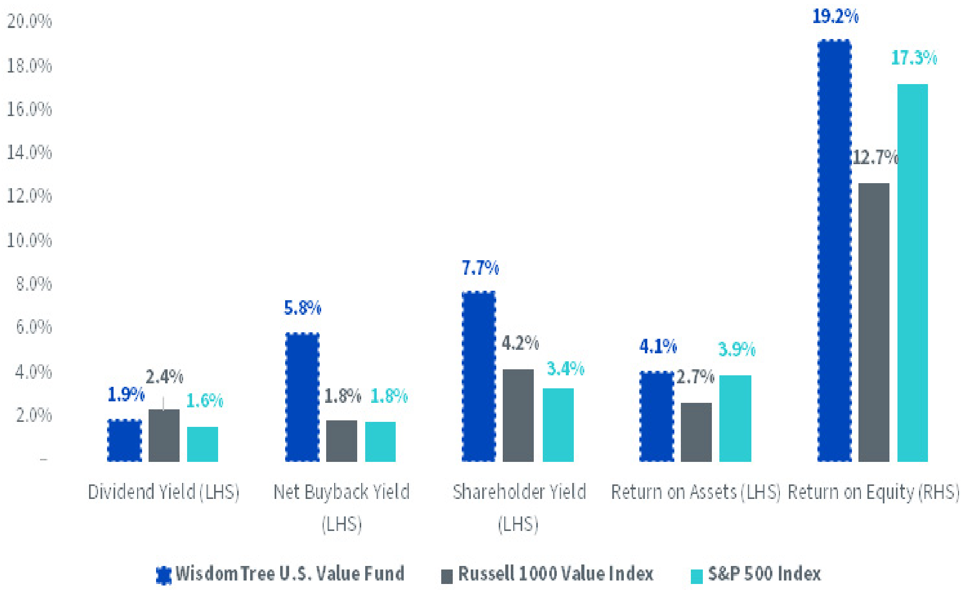
Bringing It All Together: Strong Shareholder Yield with Less of the Quality Sacrifice

There are certain longstanding relationships that we see among different factor exposures in equity markets. People might have noticed that growth strategies tend to have lots of exposure to Information Technology stocks, and that these stocks tend toward higher return on equity (ROE) and return on assets (ROA) measures. Value strategies, tending away from Tech exposure, for this and various other reasons may exhibit lower ROE and ROA figures.

Therefore, the typical growth strategy typically exhibits higher quality metrics and the typical value strategy tends to exhibit lower quality metrics. One could also say there is a reason that the stocks comprising the value strategy are less expensive relative to their fundamentals.

If we look at figure 5, however, WTV had a higher ROE than both the Russell 1000 Value Index and the S&P 500 Index. This is not the usual value relationship. Also, it's clear that the primary differentiator by way of the fundamentals shown is the net buyback yield. It's interesting that the Russell 1000 Value Index actually had a higher dividend yield by a small margin than WTV as of this date.

Figure 5: Shareholder Yield and Quality Characteristics (as of 8/21/23)



Source: FactSet. **Past performance is not indicative 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. An investment cannot be made into an index.**

For the most recent month-end performance click here.

If investors are looking beyond the first eight months of 2023 and considering that the growth rally and leadership of the so-called Magnificent 7 is at risk, WTV might be worth further consideration as a step in the value-oriented direction within U.S. equities.

[1]Source: https://www.nasdaq.com/articles/the-nasdaq-100-is-undergoing-a-special-rebalance.-heres-how-investors-should-prepare.

[2] Source: WisdomTree Fund Comparison tool, with data 12/31/22–8/21/23. WTV's returns are measured in NAV total return terms.

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For the top 10 holdings of WTV please visit the Fund's fund detail page at https://www.wisdomtree.com/investments/etfs/equity/wtv

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DEFINITIONS

FAANG : An acronym referring to the stocks of the five most popular and best-performing American technology companies: Facebook, Amazon, Apple, Netflix and Alphabet (formerly known as Google).

Artificial intelligence : machine analysis and decision-making.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Nasdaq 100 Index : Includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies, including investment companies.

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.

Russell 1000 Index : A measure of the performance of the 1,000 largest companies by market capitalization in the Russell 3000 Index.

Buyback : When a company uses its own cash to purchase its own outstanding shares; may positively impact the share price.

Shareholder Yield : A data point that references the combination of dividend yield and buyback yield.

Net Buyback Yield : A company’s net share buyback is the difference between the capital raised by issuing new shares and the money the company spent on buying back any outstanding shares. A positive net share buyback means that more was spent on buying back existing shares than received from issuing new shares. Net buyback yield is the amount of a company’s net buybacks divided by its market capitalization. Please note that net buyback yield does not represent a dividend paid by the company.

Factor : Attributes that based on its fundamentals or share price behavior, are associated with higher return.

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.

Return on Equity (ROE) : Measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on assets (ROA) : Firm profits (after accounting for all expenses) divided by the firm’s total assets. Higher numbers indicate greater profits relative to the level of assets utilized to generate them.

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor’s Index Committee designed to represent the performance of the leading industries in the United States economy.