

ACTIVE MANAGEMENT OF GLOBAL CORPORATE BONDS

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To coincide with the launch of our newest Fund, the WisdomTree Global Corporate Bond Fund (GLCB), WisdomTree's Chief Investment Strategist, Luciano Siracusano, sat down with the Fund's Portfolio Manager, Ryan Brist of Western Asset Management, to discuss the Fund's investment approach and how Western manages credit portfolios.

Q: Let's talk a little bit about the global corporate bond space. Why should investors consider taking an active approach in the global corporate bond space? A: Many indexes out there are very U.S. based and, historically, the U.S. bond market is the most developed bond market in the world. But what we've seen in the last five to seven years is that a growing number of non-U.S. companies are issuing bonds in both U.S. dollars and foreign currencies. And so, the breadth of the market has expanded dramatically and has created a lot of opportunities for our team. Western manages over \$460 billion in assets as a firm globally, with eight offices around the world. We have people, research analysts and research team members on the ground that can visit these companies and management teams on a regular basis.

Q: Why should people consider using an active manager inside of an ETF to get global bond exposure? A: The simple answer is that our team believes we can outperform these indexes over time. Think about it. There are more than 5,000 securities in the Index, and we're going to initiate the portfolio with about 60 different names. So we are going to have real, active diversification versus a broad-based benchmark. And I think that's a real benefit for clients over time. Additionally, as a bond manager, we think all the time about limiting downside losses and protecting principal for our clients. And that's paramount in the active management of a well-diversified bond portfolio.

Q: How will the Fund invest in these securities compared to the existing benchmarks? A: The Fund's process starts with a top-down approach led by Western's Chief Investment Officer, Steve Walsh, at the broad strategy committee meeting we hold once a week. The team debates and discusses longer-term views such as opinions on [curve](#) and [duration](#) or asset allocation. If someone thinks corporates are cheap versus mortgages, they need to prove it in that setting. So it's a longer-term, top-down view. The second component to the process is the global credit committee. Their job is to debate and discuss where, within credit, we're finding the best values. Is it in developed markets or emerging markets? In high-grade bonds or high-yield bonds? We also debate and discuss sector allocation, for example banks versus telecommunications. So, we're really trying to hone in on where within the asset class—and where around the world—we are finding those best values.

Q: In terms of managing risk, are there any particular risks that investors should be concerned about in 2013? A: Well, every article in the Wall Street Journal lately seems to focus on rising interest rates around the globe or in the United States. So this is a real concern. Investors should know that this is a very intermediate-based portfolio. The Fund targets a duration of about 5.5 to 6 years. We do have the ability to move around that, but we're probably going to stay right in that intermediate part of the curve. Additionally, when you invest in corporate bonds globally, you're dealing with something called default risk, where companies can go out of business. So we do our best to protect against default risk, or loss of principal in portfolios. We spend our days mitigating default risk, and we continue to think about the risk of rising rates in bond portfolios for 2013. We have a pretty stringent sell discipline and a general willingness to avoid

participation at times that we believe can help mitigate risks in bond portfolios over time. [Listen to the full podcast now.](#) [Watch our Chief Investment Strategist, Luciano Siracusano, discuss global corporate bonds on TheStreet.](#) For standardized performance for GLCB, [click here](#). Western Asset Management manages over \$460 billion in assets as of 1/28/13.

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DEFINITIONS

Curve: Refers to the yield curve. Positioning on the yield curve is important to investors, especially during non-parallel shifts.

Duration: A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.