

# **WisdomTree Rules-Based Crypto Asset Index**

## **Methodology**

**Last Updated August 2022**

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## I WisdomTree CF Crypto Mega Cap Equal Weight Index

### 1. Index Overview and Description

The WisdomTree CF Crypto Mega Cap Equal Weight Index [referred to as “the Index”] is designed to track the performance of a basket of crypto assets representing the mega cap portion of the crypto asset market<sup>1</sup>. Currently, the Index measures the performance of bitcoin and ether crypto assets. The Index is intended to give exposure to a basket of crypto assets which generally are leaders in the market as measured in terms of market capitalization and liquidity. The Index is equally weighted and rebalances on a quarterly basis to achieve equal weighting of the Index constituents.

### 2. Index Governance

The Index is overseen by the WisdomTree Crypto Asset Index Committee (the “Committee”), a standing Index committee of WisdomTree Investments, Inc. (“WisdomTree”), ticker WETF. The Committee is composed of not less than 3 members. The Committee is responsible for making broad decisions with respect to the implementation, ongoing management, operation and administration of the Index. The primary function of the Committee is to make sure the Index rules are implemented correctly and comprehensively, provided that the published Index composition shall be as determined by the Committee.

The Committee meetings will generally be held on a quarterly basis and may be held more frequently as circumstances require. The Committee reviews the methodology to ensure the Index continues to achieve the stated objectives, and that the data and methodology remain effective.

### 3. Key Features

#### 3.1. Membership Criteria

The universe of eligible crypto assets (sometimes referred to below as “cryptos”) will be determined based upon the criteria listed below,

- Cryptos that are associated with public blockchains, including those using a variety of different consensus mechanisms.

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<sup>1</sup> Crypto asset means money, scrip or other representation of value or contractual rights that can only be exchanged electronically on a Distributed Ledger (a single, sequenced, standardised and cryptographically secured record of activity to be shared among and acted upon by multiple participants).

- Cryptos that have an active and liquid trading market.
- Cryptos that are listed on one or more eligible exchanges and can be priced by the third-party independent crypto pricing data provider, as defined in Section 3.3
- The market capitalization of the eligible cryptos is generally ranked within Top 30 of the digital asset market, as determined by the Committee.
- Cryptos that can be custodied by an eligible custodian as defined by the Committee from time to time.
- Cryptos that are accepted as underlying for exchange traded products for listing on one or more European Exchanges, including the Regulated Market of the Frankfurt Stock Exchange.

Furthermore, cryptos that are, by their design, pegged to the value of other assets such as fiat currency (“stablecoins”), another crypto, or other hard assets (e.g., commodities) are not eligible for inclusion.

1 to 5 cryptos are selected for inclusion in the Index by the Committee to represent the mega cap portion of the crypto asset market. Currently, bitcoin and ether crypto assets are selected for Index inclusion.

### 3.2 Base Date and Base Value

The Index was established with a base value of 1000 on 20<sup>th</sup> August 2021.

### 3.3 Calculation and Dissemination

The following formula is used to calculate the index levels for the Index:

$$\frac{\sum i \{S_i P_i E_i\}}{D}$$

$S_i$  = Number of units in the index for Crypto  $i$ .

$P_i$  = Price of Crypto  $i$

$E_i$  = Cross rate of currency of Crypto  $i$  vs. USD. If Crypto price in USD,  $E_i = 1$

$D$  = Divisor

The Index is calculated using crypto asset pricing and reference data from the third-party independent crypto pricing data provider and calculated in U.S. dollars. The Index is calculated once a day at 4:00 PM London time using the closing prices as calculated by the Index calculation agent.

The Index is calculated by a designated third-party calculation agent. Currently, the Index is calculated by CF Benchmarks. The Index uses CF Benchmark as the data source for crypto asset pricing and reference data.

For more information on CF Benchmarks, please refer to <https://www.cfbenchmarks.com/>

### 3.4 Weighting

The Index is equally weighted and rebalances on a quarterly basis. The Committee might make decisions regarding the weight allocated to the selected cryptos based on quantitative and qualitative criteria, such as liquidity, representativeness of the mega cap portion of crypto assets, and diversification, in the circumstances described in section 3.5 below.

### 3.5 Index Maintenance

Index Maintenance includes monitoring and implementing the adjustments due to hard forks, emissions, airdrops, staking rewards or other actions. Those crypto actions might or might not require changes in the Index and the prices of the component cryptos in the Index, and some actions may require Index divisor adjustments. The treatment of such actions is evaluated by the Committee from qualitative and quantitative characteristics of each component crypto.

### 3.6 Index Reconstitution and rebalancing

The Index periodically adjusts index constituents and weightings (i.e., Index Reconstitution) to reflect changes in the crypto asset market.

Reconstitution Month: February, May, August, November.

Reconstitution Announcement Date: The Committee announces the next reconstitution date before the 1<sup>st</sup> day of the reconstitution month.

Reconstitution Determination Date: The Index components and the target weights are announced on the Monday preceding the Reconstitution Implementation Date.

Reconstitution Implementation Date: The addition / removal / re-weighting of the component cryptos is implemented at the Index close on the third Friday of the reconstitution month. The Committee will also assess the potential market impact of the Index reconstitution and may decide to expand the execution hours on the Implementation Date or expand the reconstitution across several days.

## 4. Index Divisor Adjustments

Changes in the Index's market capitalization due to changes in composition, weighting or crypto actions result in a divisor change to maintain the Index's continuity. By adjusting the divisor, the Index value retains its continuity before and after the event. Crypto actions that require

divisor adjustments will be implemented prior to the opening of trading on the effective date. In certain instances where information is incomplete, or the completion of an event is announced too late to be implemented prior to the ex-date, the implementation will occur as of the close of the following day or as soon as practicable thereafter. For crypto actions not described herein, or combinations of different types of events and other exceptional cases, the Committee reserves the right to determine the appropriate implementation method.

5. Selection Parameters

Selection parameters for the Index are defined in section 3.1. Cryptos that pass these selection criteria following the Committee meetings and reviews are included in the Index unless otherwise determined by the Committee. The components are assigned weights in the Index as defined in section 3.4., and reconstitution of the Index takes effect as defined in section 3.6.

## II WisdomTree CF Crypto Market Index

### 1. Index Overview and Description

The WisdomTree CF Crypto Market Index [referred to as “the Index”] is designed to track the performance of a diversified basket of crypto assets representing the large cap portion of the crypto asset market<sup>2</sup>. The Index contains crypto assets with the largest market capitalization and meet the eligibility criteria set forth below. The Index is weighted based on free-float market capitalization and rebalances on a quarterly basis.

### 2. Index Governance

The Index is overseen by the WisdomTree Crypto Asset Index Committee (the “Committee”), a standing Index committee of WisdomTree Investments, Inc. (“WisdomTree”), ticker WETF. The Committee is composed of not less than 3 members. The Committee is responsible for making broad decisions with respect to the implementation, ongoing management, operation and administration of the Index. The primary function of the Committee is to make sure the Index rules are implemented correctly and comprehensively, provided that the published Index composition shall be as determined by the Committee.

The Committee meetings will generally be held on a quarterly basis and may be held more frequently as circumstances require. The Committee reviews the methodology to ensure the Index continues to achieve the stated objectives, and that the data and methodology remain effective.

### 3. Key Features

#### 3.1. Membership Criteria

The universe of eligible crypto assets (sometimes referred to below as “cryptos”) will be determined based upon the criteria listed below,

- Cryptos that are associated with public blockchains, including those using a variety of different consensus mechanisms.
- Cryptos that have an active and liquid trading market.

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<sup>2</sup> Crypto asset means money, scrip or other representation of value or contractual rights that can only be exchanged electronically on a Distributed Ledger (a single, sequenced, standardised and cryptographically secured record of activity to be shared among and acted upon by multiple participants).

- Cryptos that are listed on one or more eligible exchanges and can be priced by the third-party independent crypto pricing data provider, as defined in Section 3.3
- The market capitalization of the eligible cryptos is generally ranked within Top 30 of the digital asset market, as determined by the Committee.
- Cryptos that can be custodied by an eligible custodian as defined by the Committee from time to time.
- Cryptos that are accepted as underlying for exchange traded products for listing on one or more European Exchanges, including the Regulated Market of the Frankfurt Stock Exchange.

Furthermore, cryptos that are, by their design, pegged to the value of other assets such as fiat currency (“stablecoins”), another crypto, or other hard assets (e.g., commodities) are not eligible for inclusion.

5 to 20 cryptos are selected for inclusion in the Index by the Committee to represent the large cap portion of the crypto asset market, based on the market capitalization of each crypto and the foregoing considerations.

### 3.2 Base Date and Base Value

The Index was established with a base value of 1000 on 20<sup>th</sup> August 2021.

### 3.3 Calculation and Dissemination

The following formula is used to calculate the index levels for the Index:

$$\frac{\sum i \{S_i P_i E_i\}}{D}$$

$S_i$  = Number of units in the index for Crypto i.

$P_i$  = Price of Crypto i

$E_i$  = Cross rate of currency of Crypto i vs. USD. If Crypto price in USD,  $E_i = 1$

$D$  = Divisor

The Index is calculated using crypto asset pricing and reference data from the third-party independent crypto pricing data provider and calculated in U.S. dollars. The Index is calculated once a day at 4:00 PM London time using the closing prices as calculated by the index calculation agent.

The Index is calculated by designated third-party calculation agent. Currently, the Index is calculated by CF Benchmarks. The Index uses CF Benchmark as the data source for crypto asset pricing and reference data. For more information on CF Benchmarks, please refer to <https://www.cfbenchmarks.com/>



### 3.4 Weighting

The Index is weighted based on free-float market capitalization<sup>3</sup>. The Committee makes decisions regarding the weight allocated to the selected cryptos based on quantitative and qualitative criteria, such as liquidity, representativeness of the large cap portion of crypto assets, and diversification.

At each index rebalancing, the following capping rules apply:

- The maximum weight of any individual crypto is capped at 45%.
- The combined weight of bitcoin and ether is capped at 75%.
- The minimum weight of any individual crypto is at 2.5%.

### 3.5 Index Maintenance

Index Maintenance includes monitoring and implementing the adjustments due to hard forks, emissions, airdrops, staking rewards or other actions. Those crypto actions might or might not require changes in the Index shares and the prices of the component cryptos in the Index, and some actions may require Index divisor adjustments. The treatment of such actions is evaluated by the Committee from qualitative and quantitative characteristics of each component crypto.

### 3.6 Index Reconstitution

The Index periodically adjusts index constituents and weightings (i.e., Index Reconstitution) to reflect changes in the crypto asset market. The Index is expected to reconstitute / rebalance on a quarterly basis. Following the quarterly Committee meetings and review process, Index reconstitutions / rebalances will be announced by the Committee, following the announcement and implementation process below.

Reconstitution Month: February, May, August, November.

Reconstitution Announcement Date: The Committee announces the next reconstitution date before the 1<sup>st</sup> day of the reconstitution month.

Reconstitution Determination Date: The index components and the target weights are announced on the Monday preceding the Reconstitution Implementation Date.

Reconstitution Implementation Date: The addition / removal / re-weighting of the component cryptos is implemented at the Index close on the third Friday of the reconstitution month. The Committee will also

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<sup>3</sup> The “free-float” is the estimated circulating supply of a crypto asset, which is based on the total supply of all units of a digital asset issued that can be “spent” or moved from one deposit address to another, as defined by CF Benchmarks.

assess the potential market impact of the Index reconstitution and may decide to expand the execution hours on the Implementation Date or expand the reconstitution across several days.

4. Index Divisor Adjustments

Changes in the Index's market capitalization due to changes in composition, weighting or crypto actions result in a divisor change to maintain the Index's continuity. By adjusting the divisor, the Index value retains its continuity before and after the event. Crypto actions that require divisor adjustments will be implemented prior to the opening of trading on the effective date. In certain instances where information is incomplete, or the completion of an event is announced too late to be implemented prior to the ex-date, the implementation will occur as of the close of the following day or as soon as practicable thereafter. For crypto actions not described herein, or combinations of different types of events and other exceptional cases, the Committee reserves the right to determine the appropriate implementation method.

5. Selection Parameters

Selection parameters for the Index are defined in section 3.1. Cryptos that pass these selection criteria following the Committee meetings and reviews are included in the Index unless otherwise determined by the Committee. The components are assigned weights in the Index as defined in section 3.4., and reconstitution of the Index takes effect as defined in section 3.6.

### III WisdomTree CF Crypto Altcoins Index

#### 1. Index Overview and Description

The WisdomTree CF Crypto Altcoins Index [referred to as “the Index”] is designed to track the performance of a diversified basket of crypto assets representing the large cap altcoins (i.e., ex-bitcoin and ether) portion of the crypto asset market<sup>4</sup>. The Index contains crypto assets with the largest market capitalization ex-bitcoin and ether and meet the eligibility criteria set forth below. The Index is weighted based on free-float market capitalization and rebalances on a quarterly basis.

#### 2. Index Governance

The Index is overseen by the WisdomTree Crypto Asset Index Committee (the “Committee”), a standing Index committee of WisdomTree Investments, Inc. (“WisdomTree”), ticker WETF. The Committee is composed of not less than 3 members. The Committee is responsible for making broad decisions with respect to the implementation, ongoing management, operation and administration of the Index. The primary function of the Committee is to make sure the Index rules are implemented correctly and comprehensively, provided that the published Index composition shall be as determined by the Committee.

The Committee meetings will generally be held on a quarterly basis and may be held more frequently as circumstances require. The Committee reviews the methodology to ensure the Index continues to achieve the stated objectives, and that the data and methodology remain effective.

#### 3. Key Features

##### 3.1. Membership Criteria

The universe of eligible crypto assets (sometimes referred to below as “cryptos”) will be determined based upon the criteria listed below,

- Cryptos that are associated with public blockchains, including those using a variety of different consensus mechanisms.
- Cryptos that have an active and liquid trading market.

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<sup>4</sup> Crypto asset means money, scrip or other representation of value or contractual rights that can only be exchanged electronically on a Distributed Ledger (a single, sequenced, standardised and cryptographically secured record of activity to be shared among and acted upon by multiple participants).

- Cryptos that are listed on one or more eligible exchanges and can be priced by the third-party independent crypto pricing data provider, as defined in Section 3.3
- The market capitalization of the eligible cryptos is generally ranked within Top 30 of the digital asset market, as determined by the Committee.
- Cryptos that can be custodied by an eligible custodian as defined by the Committee from time to time.
- Cryptos that are accepted as underlying for exchange traded products for listing on one or more European Exchanges, including the Regulated Market of the Frankfurt Stock Exchange.

Furthermore, cryptos that are, by their design, pegged to the value of other assets such as fiat currency (“stablecoins”), another crypto, or other hard assets (e.g., commodities) are not eligible for inclusion.

2 to 20 cryptos are selected for inclusion in the Index by the Committee to represent the large cap altcoins portion of the crypto asset market, based on the market capitalization of each crypto and the foregoing considerations.

### 3.2 Base Date and Base Value

The Index was established with a base value of 1000 on 20<sup>th</sup> August 2021.

### 3.3 Calculation and Dissemination

The following formula is used to calculate the index levels for the Index:

$$\frac{\sum i \{S_i P_i E_i\}}{D}$$

$S_i$  = Number of units in the index for Crypto  $i$ .

$P_i$  = Price of Crypto  $i$

$E_i$  = Cross rate of currency of Crypto  $i$  vs. USD. If Crypto price in USD,  $E_i = 1$

$D$  = Divisor

The Index is calculated using crypto asset pricing and reference data from the third-party independent crypto pricing data provider and calculated in U.S. dollars. The Index is calculated once a day at 4:00 PM London time using the closing prices as calculated by the index calculation agent.

The Index is calculated by designated third-party calculation agent. Currently, the Index is calculated by CF Benchmarks. The Index uses CF Benchmark as the data source for crypto asset pricing and reference data.

For more information on CF Benchmarks, please refer to <https://www.cfbenchmarks.com/>

### 3.4 Weighting

The Index is weighted based on free-float market capitalization<sup>5</sup>. The Committee makes decisions regarding the weight allocated to the selected cryptos based on quantitative and qualitative criteria, such as liquidity, representativeness of the altcoins portion of crypto assets, and diversification.

At each index rebalancing, the following capping rules apply:

- The maximum weight of any individual crypto is capped at 50%.
- The minimum weight of any individual crypto is at 2.5%.

### 3.5 Index Maintenance

Index Maintenance includes monitoring and implementing the adjustments due to hard forks, emissions, airdrops, staking rewards or other actions. Those crypto actions might or might not require changes in the Index shares and the prices of the component cryptos in the Index, and some actions may require Index divisor adjustments. The treatment of such actions is evaluated by the Committee from qualitative and quantitative characteristics of each component crypto.

### 3.6 Index Reconstitution

The Index periodically adjusts index constituents and weightings (i.e., Index Reconstitution) to reflect changes in the crypto asset market. The Index is expected to reconstitute / rebalance on a quarterly basis. Following the quarterly Committee meetings and review process, Index reconstitutions / rebalances will be announced by the Committee, following the announcement and implementation process below.

Reconstitution Month: February, May, August, November.

Reconstitution Announcement Date: The Committee announces the next reconstitution date before the 1<sup>st</sup> day of the reconstitution month.

Reconstitution Determination Date: The Index components and the target weights are announced on the Monday preceding the Reconstitution Implementation Date.

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<sup>5</sup> The “free-float” is the estimated circulating supply of a crypto asset, which is based on the total supply of all units of a digital asset issued that can be “spent” or moved from one deposit address to another, as defined by CF Benchmarks.

Reconstitution Implementation Date: The addition / removal / re-weighting of the component cryptos is implemented at the Index close on the third Friday of the reconstitution month. The Committee will also assess the potential market impact of the Index reconstitution and may decide to expand the execution hours on the Implementation Date or expand the reconstitution across several days.

4. Index Divisor Adjustments

Changes in the Index's market capitalization due to changes in composition, weighting or crypto actions result in a divisor change to maintain the Index's continuity. By adjusting the divisor, the Index value retains its continuity before and after the event. Crypto actions that require divisor adjustments will be implemented prior to the opening of trading on the effective date. In certain instances where information is incomplete, or the completion of an event is announced too late to be implemented prior to the ex-date, the implementation will occur as of the close of the following day or as soon as practicable thereafter. For crypto actions not described herein, or combinations of different types of events and other exceptional cases, the Committee reserves the right to determine the appropriate implementation method.

5. Selection Parameters

Selection parameters for the Index are defined in section 3.1. Cryptos that pass these selection criteria following the Committee meetings and reviews are included in the Index unless otherwise determined by the Committee. The components are assigned weights in the Index as defined in section 3.4., and reconstitution of the Index takes effect as defined in section 3.6.

## **IV Disclaimer**

### **1. Additional Disclosure**

This document and all of the information contained in it or otherwise related to this document and/or a WisdomTree index, including without limitation all text, constituents, data, graphs and charts (collectively, the “Information”) are the property of WisdomTree Investments, Inc. (“WisdomTree”), or WisdomTree’s licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with WisdomTree, the “Information Providers”) and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or re-disseminated in whole or in part without prior written permission from WisdomTree. All rights in the Information are reserved by WisdomTree and/or its Information Providers. The Information may not be used to create derivative works or to verify or correct other data or information including by way of example, without limitation, the Information may not be used to create other indexes, databases, risk models, model portfolios, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products, other investment vehicles or separate accounts utilizing or based on, linked to, tracking or otherwise derived from the Information or any other WisdomTree data, information, products or services.

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It is not possible to invest directly in a WisdomTree index. Index returns do not represent the results of actual trading of investible assets/securities. Exposure to an asset class or trading strategy or other category represented by a WisdomTree index is only available through investable instruments (if any) or accounts managed based on that WisdomTree index (if any) (collectively, “Index Related Investments or Accounts”), which may be made available through affiliates of WisdomTree. Index returns do not reflect payment of any sales charges or fees. The imposition of these fees and charges would cause the performance of an Index Related Investment to be different than the WisdomTree index performance. WisdomTree makes no assurance that any Index Related Investments or Accounts will accurately track WisdomTree index performance or provide positive investment returns. WisdomTree is not an investment adviser, fiduciary or quasi-fiduciary and WisdomTree makes no representation regarding the advisability of investing in any Index Related Investments or Accounts. A decision to invest in or per such Index Related Investment or Account should not be made in reliance on any of the statements set forth in this document or otherwise on Information.

Inclusion of a security or other asset within a WisdomTree index is not a recommendation by WisdomTree to buy, sell, or hold such security or other asset, nor is it considered to be investment advice or otherwise express any opinion regarding any issuer, securities, assets, financial products or instruments or trading strategies.

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WisdomTree receives compensation in connection with licensing its WisdomTree indexes to third parties. WisdomTree Inc.'s revenue includes fees based on assets in Index Related Investments or Accounts.

## 2. Additional Disclosure Regarding Crypto Assets

There are risks associated with investing, including the possible loss of principal. Crypto assets are complex, generally exhibit extreme price volatility and unpredictability, and should be viewed as highly speculative assets. Crypto assets are frequently referred to as crypto "currencies," but they typically operate without central authority or banks, are not backed by any government or issuing entity (i.e., no right of recourse), have no government or insurance protections, are not legal tender and have limited or no usability as compared to fiat currencies. Federal, state or foreign governments may restrict the use,



transfer, exchange and value of crypto assets, and regulation in the U.S. and worldwide is still developing.

Crypto asset exchanges and/or settlement facilities may stop operating, permanently shut down or experience issues due to security breaches, fraud, insolvency, market manipulation, market surveillance, KYC/AML (know your customer/anti-money laundering) procedures, noncompliance with applicable rules and regulations, technical glitches, hackers, malware or other reasons, which could negatively impact the price of any crypto asset traded on such exchanges or reliant on a settlement facility or otherwise may prevent access or use of the crypto asset. Crypto assets can experience unique events, such as forks or airdrops, which can impact the value and functionality of the crypto asset.

Crypto asset transactions are generally irreversible, which means that a crypto asset may be unrecoverable in instances where: (i) it is sent to an incorrect address, (ii) the incorrect amount is sent or (iii) transactions are made fraudulently from an account. A crypto asset may decline in popularity, acceptance or use, thereby impairing its price, and the price of a crypto asset may also be impacted by the transactions of a small number of holders of such crypto asset. Crypto assets may be difficult to value, and valuations, even for the same crypto asset, may differ significantly by pricing source or otherwise be suspect due to market fragmentation, illiquidity, volatility and the potential for manipulation. Crypto assets generally rely on blockchain technology, and blockchain technology is a relatively new and untested technology which operates as a distributed ledger. Blockchain systems could be subject to Internet connectivity disruptions, consensus failures or cybersecurity attacks, and the date or time that you initiate a transaction may be different than when it is recorded on the blockchain. Access to a given blockchain requires an individualized key, which, if compromised, could result in loss due to theft, destruction or inaccessibility.

In addition, different crypto assets exhibit different characteristics, use cases and risk profiles. Information provided by WisdomTree regarding digital assets, crypto assets or blockchain networks should not be considered or relied upon as investment or other advice or as a recommendation from WisdomTree, including regarding the use or suitability of any particular digital asset, crypto asset, blockchain network or any particular strategy.