WisdomTree U.S. Multifactor Fund

USMF

THE HISTORY—AND FUTURE—OF SMART BETA

The first exchange-traded funds (ETFs)—and the majority of those that followed—were based on market capitalization-weighted indexes. This type of weighting is based on the efficient market hypothesis, which assumes that price is always the best representative of underlying value. But time and again we have seen that markets are not always efficient and that prices can deviate from true value. And since these indexes give more weight to securities with higher prices and fail to rebalance back to relative value, they ultimately expose investors to pricing bubbles.

In 2006, WisdomTree launched its first smart beta indexes and ETFs that weight underlying securities by fundamentals, rather than market price, and rebalance on a regular basis. WisdomTree's methodology of weighting by dividends or earnings provides fundamental tilts to broad beta benchmarks and incorporates both a quality discipline (if companies can support dividends or have an overall profit stream) as well as a valuation discipline (rebalancing annually based on the concept of relative value).

THE FACTORS OF SMART BETA

Fama, French, Siegel and many other academics have demonstrated not only that factors exist but that they drive performance. But value and size are not the only factors that drive performance. Research in the academic community has found three other key factors: quality, momentum and low volatility.

WisdomTree's original smart beta offerings, by their very nature, provide exposure to several of these factors, with the exception of momentum. Weighting by dividends or earnings provides access to value, quality and—in the case of dividends—low beta (low volatility), while our small- and mid-cap offerings provide access to size, as well. In recent years, they have also exhibited fairly low levels of tracking error compared with traditional cap-weighted benchmarks.

As the existence and benefits of factors become more accepted, multifactor strategies are the next logical step in smart beta.

REACHING BEYOND BETA TO FIND ALPHA

Many investment managers describe the asset management spectrum as ranging from passive on one end of the continuum to active on the other. Because "smart beta" and factor strategies combine elements of passive and active, such strategies usually exist in the middle of this continuum. They have a similar goal as active managers—to try to outperform the market—but typically try to do so through a rules-based approach that can be codified into a stock index.

Another way to visualize this continuum is to consider how much potential tracking error one is willing to tolerate in the quest for alpha.

THE ASSET MANAGEMENT SPECTRUM (FROM "TRACKING ERROR" PERSPECTIVE)

Tracking Error: 0–1%

Beta
- Rules-Based
- Market Cap-Weighted
- Representative of Asset Class
- Average Return of All Stocks

Tracking Error: 1-4%

Beta-Driven Smart Beta
- Rules-Based
- Non-Market Cap-Weighted
- Behaves like Comparable Beta Index While Tilting Toward Sources of Alpha, Such as Factors
- Low Tracking Error and Beta Closer to 1

Tracking Error: 4-6%

Alpha-Driven Smart Beta
- Rules-Based
- Non-Market Cap-Weighted
- Alpha-Seeking Stock Selection
- Deviates Further from the "Beta Experience" in Pursuit of Alpha
- Higher Tracking Error and May Have Beta Further from 1

Tracking Error: 6% and up

Alpha
- Active Stock Picking
- Stock Selection Risk
- Human Judgment

Tracking error numbers meant to serve as a guideline and not exact measurements.

A NEW BREED OF ACTIVE?

Many of today's investors love the benefits of ETFs, but they still want the even higher alpha[1] potential of active management, only without the higher fees and risks that tend to go hand in hand with it. We believe multifactor smart beta strategies can provide this higher alpha potential they are looking for, with the low fees[2] of ETFs, and potentially with lower risks—if they are built with the right discipline.

Multifactor and active approaches exist, but they are not all created equal. More active approaches naturally include more risks and more tracking error—you cannot, after all, generate more alpha without additional risk. However, at WisdomTree, we believe it is possible—and critical—to balance the risks that come with more active mandates, including the following:

+ **Factor imbalance:** Some factors can become meaningfully out of favor for a long stretch of time. For instance, in the 15+ years since WisdomTree launched its original fundamentally-weighted Index family, value indexes have significantly lagged growth indexes. While this does not necessarily mean a strategy tilted to value cannot outperform, one that is only tilted to value would have had a meaningful headwind over this period.

+ **Sector bets:** Factor tilts can sometimes make a strategy meaningfully over- or under-weight in certain sectors. Minimum volatility and high-dividend indexes, for example, are inherently over-weight in bond proxy sectors like Utilities. These sector bets may help or hurt over given market cycles, potentially causing the performance of a strategy to have more to do with its sector exposures than its factor exposures.

+ **Stock selection:** In a strategy designed to add alpha, one must take meaningful stock selection risk. We believe factor diversification can improve the merits of stock selection.

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[1] Alpha: Measure of risk-adjusted performance that compares how the constituents move relative to a benchmark.
[2] Ordinary brokerage commissions apply.

Our more "active" methodology is uniquely designed to combine factors that we believe provide diversified multifactor alpha generation while minimizing the risks described above.

A UNIQUE, MULTIFACTOR APPROACH

The WisdomTree U.S. Multifactor Index is designed to target factors consistent with many smart beta approaches. It is the first to use WisdomTree's innovative method of combining factors to maximize the potential for higher absolute and risk-adjusted returns. Highlights of the process include:

+ **Multiple Factors:** A unique blend of fundamental and technical factors is used to create a proprietary stock selection and weighting model:

  - WisdomTree fundamental factor screens: value and quality
  - WisdomTree technical factor screens: momentum and low correlation

+ **Active Selection:** WisdomTree starts with the 800 largest market capitalization stocks listed in the United States. From this universe, we select the top 200 stocks with the highest combined factor score (we look for stocks that access multiple factors because we want securities that can perform in different market environments).

+ **Risk and Return Weighting:** In addition to the factor score, WisdomTree considers a stock's volatility level when assigning weight (it accounts for half the weighting)—incorporating the important concept of risk-adjusted return as a key driver of its Index weighting.

+ **Sector Neutrality:** To add value in the diversified factor selection model, WisdomTree wanted to minimize the risk of diluting our alpha signals with mismatched sector weights relative to the market. Consequently, weights are adjusted to remove any sector tilts relative to the market cap universe.

Quarterly Rebalance
Start with Top 800 Stocks by Market Cap

Assign Each Stock
a Composite Multifactor Score

Select Top 200 Stocks with the
Highest Multifactor Score

Assign Each Stock a Volatility Score (Trailing 12-Month Volatility)
Rewarding Less Volatile Stocks

Final Portfolio

½ Weight Multifactor Score (Alpha Signal)

½ Weight Volatility Score

Sector Neutrality Adjustments to Remove Sector Tilts versus Market Cap Universe

THE WISDOMTREE U.S. MULTIFACTOR FUND (USMF)

The WisdomTree U.S. Multifactor Fund (USMF) seeks to track the WisdomTree U.S. Multifactor Index. It is designed to provide higher alpha potential with lower volatility and all the benefits of an ETF. This unique fund offers:

+ Access to numerous smart beta factors
+ Alpha potential across different market environments
+ Sector neutrality and lower volatility than some active and multifactor approaches
+ The potential for enhanced risk-adjusted returns
+ All the benefits of the ETF structure

Standardized Annual Returns (as of 03/31/2024)					
Fund/Index	1 Year	3 Year	5 Year	10 Year	Since Inception
USMF (NAV)	25.84%	8.80%	11.67%	N/A	11.47%
USMF (Price)	25.99%	8.69%	11.68%	N/A	11.46%
WisdomTree U.S. Multifactor Index	25.67%	8.95%	11.82%	N/A	11.59%
S&P 500 Equal Weight Index	19.38%	8.16%	12.35%	N/A	11.58%
S&P 500 Index	29.88%	11.49%	15.05%	N/A	14.14%
Russell 3000 Index	29.29%	9.78%	14.34%	N/A	13.49%

Sources: FactSet, MSCI, WisdomTree, since fund inception 6/29/2017 – 03/31/2024.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns 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. Performance data for the most recent month-end is available at wisdomtree.com/investments.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price ("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 ("Price") returns do not represent the returns you would receive if you traded shares at other times.

Quick Facts	
Ticker	USMF
Exchange	Cboe
Expense Ratio	28bps
Exposure	U.S. stocks with Multifactor exposure
Rebalancing	The portfolio is rebalanced on quarterly basis.

Glossary:

Basis Points (bps): 1/100th of 1 percent.

Dividend or earnings weighted: Constituent securities represented within an index in proportion to their contribution to the dividend stream or earnings stream, respectively.

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

WisdomTree U.S. Multifactor Index: is made up of 200 U.S. companies with the highest composite scores based on two fundamental factors, value and quality measures, and two technical factors, momentum and low correlation.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. For a prospectus or, if available, the summary prospectus containing this and other important information about the fund, call 866.909.9473 or visit WisdomTree.com/investments. Read the prospectus or, if available, the summary prospectus carefully before investing.

There are risks associated with investing, including possible loss of principal. Funds focusing their investments on certain sectors may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility. Please read the Fund's prospectus for specific details regarding the Fund's risk profiles.

Diversification does not eliminate the risk of experiencing investment losses.

You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns. WisdomTree, its affiliates and their independent providers are not liable for any informational errors, incompleteness or delays or for any actions taken in reliance on information contained herein.

Additional Index information is available at WisdomTree.com/investments.

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