

WTSY: THE DIGITAL FUND OPPORTUNITY

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09/26/2022

Since publishing the ticker for this Fund has been updated to WTSYX.

Today, we celebrate a milestone in WisdomTree's history of innovation with our proposed WisdomTree Short-Term Treasury Digital Fund (WTSY) becoming effective. This fund is the result of a number of years of R&D with our technology and service providers, including Securrency Transfers, Inc. and State Street Bank and Trust Company. It's also the result of a number of years of regulatory engagement. In the Q&A that follows, we give an overview of the fund and how it fits into the investment ecosystem. We believe this fund has the potential to be an innovation with lasting impact in financial services.

What is WTSY's investment strategy?

WTSY seeks to track the [Solactive 1-3 Year Treasury Bond Index](#). Through investing in short-term U.S. treasury obligations, the fund seeks to provide capital preservation and current income. While this fund is digital, it is important to note it will not invest in any cryptocurrencies.

What makes this Fund digital?

WTSY is an open-ended and registered product under the 1940-Act – like a traditional mutual fund. A transfer agent keeps the primary record of share ownership for the fund in its own books-and-records, but, unlike traditional mutual funds, the transfer agent also keeps a secondary record of the shares on either the Stellar or Ethereum blockchains. With its multi-chain functionality, this fund is truly novel.

What are the fees?

WTSY has no management fees or other ongoing expenses charged to a shareholder. In the asset management industry, we have seen a race to zero fees in many [beta](#) exposures, with some traditional mutual funds and ETFs already charging no management fee. With WTSY considered to be beta exposure, we've launched with no management fees in this structure. WisdomTree affiliates expect to charge other fees, such as fees for facilitating transactions.

Is this fund a crypto asset?

"Crypto assets" as defined today, refers broadly to cryptographic tokens on public blockchains. This includes, of course, [bitcoin](#) (on the Bitcoin blockchain) and ether (on the Ethereum blockchain). This broad definition also often includes [stablecoins](#), tokens whose value is pegged to another asset like the U.S. dollar so it's possible for crypto to be "backed" by physical assets.

Crypto assets are generally [bearer instruments](#). Ownership of a bearer instrument is determined by who physically holds the instrument. Bitcoin, stablecoins and physical currency all currently function as bearer instruments.

Like all registered securities in the U.S., shares of WTSY are registered instruments. Ownership of a registered instrument is determined by a record of ownership (i.e., a share registry), not merely the physical holding. In the case of WTSY shares, the transfer agent – Securrency Transfers, Inc. - will keep this record.

As such, by its nature the fund cannot support anonymous transactions as many equate to crypto assets. However, an investor would be able to affect an approved transaction on their own and hold the record of the share in the supported blockchain wallet of their choice. We believe this secondary record allows WTSY to achieve certain user experience and use case benefits that many have come to appreciate about crypto, but it won't meet the definition that many have for crypto assets.

Why did WisdomTree create a digital fund?

WisdomTree started our journey in digital assets and blockchain with a simple question – *what can do to ETFs what ETFs*

did to mutual funds? To be clear, at WisdomTree, we love ETFs. We truly believe these are one of, if not the most consumer-friendly financial innovations of the past thirty years, and especially in the past decade they have consistently taken market share from traditional mutual funds.

There has been a lot of innovation in the digital asset and blockchain space these past several years. While it's fair to say that not all of this innovation will have a lasting impact, some of it will. Through using a "responsible DeFi" approach, WisdomTree aims to leverage this innovation in seeking to continue to create a better investor experience. WTSY and its use of the Stellar and Ethereum blockchains helps us start that journey.

To give a few examples of how this technology could over time improve the investor experience, it's remarkable that some blockchains can provide near-instant settlement finality on a peer-to-peer basis on a 24/7/365 basis. Blockchains can allow for [atomic settlement](#) (where software ensures assets are exchanged in settlement) as opposed to other potentially riskier settlement processes, like delivery vs. payment (DvP). The programmable nature of blockchains and tokens allows for code-based enforcement of rules in financial processes, like we've seen in many DeFi projects, which has the potential to make financial transactions more rules-based and predictable. These features will take time to unlock and may not come to fruition with respect to the fund, but we are seeking to get there.

When our CEO & Founder, Jono Steinberg, founded WisdomTree, he noted that, unlike traditional mutual funds, all an investor needed was a brokerage account to access ETFs. Today, all an investor needs is a smart phone to access digital assets.

We think this type of fund can bring mainstream assets, like U.S. treasury bonds, into the evolving digital ecosystem, with the potential to unlock future use cases for these assets and distribution opportunities.

How can I invest in WTSY?

While the Fund is effective today, access is anticipated to be through the WisdomTree Prime digital wallet application, which is currently in beta. Stellar is the initial blockchain on which investors will receive their secondary record through the application. WisdomTree Prime is a digital wallet that allows users to save, invest and spend, including providing access to digital funds. You can sign up for the waitlist [here](#).

Which firms are involved in the management of WTSY?

WisdomTree Digital Management, Inc., a subsidiary of WisdomTree, serves as the investment adviser for the Fund. In addition to the investment adviser, a number of other firms provide services, including Securrency Transfers, Inc. as the transfer agent, State Street Bank and Trust Company as the fund custodian and administrator and Voya Investment Management Co, LLC as the sub-investment adviser.

Carefully consider the investment objectives, risks, charges, and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please visit www.wisdomtreedigital.com for a prospectus. Read the prospectus carefully before investing.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Because the Fund is new, it has no performance history. Blockchain technology is a relatively new and untested technology, with little regulation. Potential risks include vulnerability to fraud, theft, or inaccessibility, and future regulatory developments could affect its viability. U.S. Treasury obligations may provide relatively lower returns than those of other securities. Changes to the financial condition or credit rating of the U.S. government may cause the value to decline. Fixed income securities are subject interest rate, credit, inflation, and reinvestment risks. As interest rates rise, the value of fixed-income securities fall. Cybersecurity attacks affecting the Fund's third-party service providers, the mobile phone application used to transact in Fund shares, blockchain network, or the issuers of securities in which the Fund invests may subject the Fund to many of the same risks associated with direct cybersecurity breaches.

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For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

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You cannot invest directly in an index.

DEFINITIONS

Solactive 1-3 Year Treasury Bond Index : A sub-index of the Solactive US Treasury Bond Index Family. The Solactive US Treasury Bond Index Family is a rules-based, market value weighted index designed to track the performance of USD-denominated bonds issued by the US Treasury.

Beta : A measure of the volatility of a security or a portfolio in comparison to a benchmark. In general, a beta less than 1 indicates that the investment is less volatile than the benchmark, while a beta more than 1 indicates that the investment is more volatile than the benchmark.

Bitcoin (the currency) : A digital currency (also called a cryptocurrency) created in 2009, which is operated by a decentralized authority as opposed to a traditional central bank or monetary authority.

Stablecoin : Stablecoins are cryptocurrencies the value of which is pegged, or tied, to that of another currency, commodity or financial instrument.

Bearer instrument : A type of fixed-income security in which no ownership information is recorded and the security is issued in physical form to the purchaser

Atomic settlement : The instant exchange of two assets that are linked, such that the transfer of one occurs only upon transfer of the other one.