

Alternative investments like private equity, private credit and hedge funds have historically been limited to primarily institutional and ultra-high net worth individuals, also known as accredited investors. These funds typically have investor eligibility requirements, high investment minimums and fees, and are more illiquid than traditional investments. This has often made it difficult for some investors to gain broad-based exposure to a diversified set of managers.

Additionally, massive inflows into this space have contributed to significant growth of the asset class over the last two decades creating a wide dispersion in return opportunities across managers. In response, WisdomTree has partnered with alternative credit specialist Gapstow Capital Partners to create one trade-access with no lock ups or minimums.

The WisdomTree Alternative Income Fund (HYIN) seeks to track the price and yield performance, before fees and expenses, of the Gapstow Liquid Alternative Credit Index (GLACI).

## What Is Alternative Credit?

Gapstow defines alternative credit as debt-based investments whose yield and/or expected return is higher than investment-grade fixed income securities. These debt investments include a range of securities across a broad universe of borrower segments, such as households, corporations and commercial real estate sponsors.

Since private funds are impractical for individual investors, Gapstow offers an alternate way for access through Publicly Traded Alternative Credit Vehicles (PACs), which are the subset of business development companies (BDCs), closed-end credit-centric funds (CEFs) and mortgage real estate investment trusts (REITs) that specialize in alternative credit investing.

**Business Development Companies (BDCs)** make loans to small- and medium sized companies, less than \$100 million in EBITDA, and typically Invest in first-lien, senior-secured floating-rate loans issued to private equity sponsored middle-market corporations. BDCs offer high dividend yields and have a leverage of 1.25-1.75x debt-to-equity.

**Closed-End Funds (CEFs)** are pooled investment vehicles that invest in alternative credit, including high-yield bonds, broadly syndicated leveraged loans, collateralized loan obligations, residential and commercial mortgage-backed securities, and some private credit assets. Leverage is capped at around 1.33x debt-to-equity.

Real Estate Investment Trusts (REITs) provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities for commercial or residential properties. Leverage varies from 3-10x debt-to-equity.

PACs Advantages over Private Funds

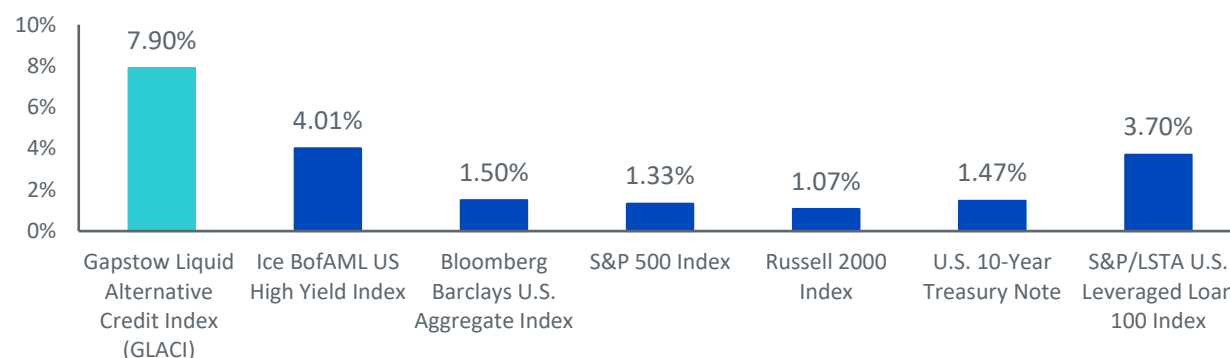
PACs	Private Funds
Trade intraday on major exchanges	Restrictive redemption options, if any, and limited potential for secondary sales
No investment minimums	Require large minimum investment amounts
Anyone with a brokerage account can invest	Investors must meet eligibility requirements
Gain immediate exposure to their underlying investments	Sometimes draw down investor capital over a multi-year commitment period
Capital stays fully invested	Return capital after a specified time period, usually three- to five-years
1099 tax reporting	Issue K-1s
More regulatory oversight	Less regulatory oversight
Monthly or quarterly reports detailing all investments	Less transparent about investments

What is the appeal of alternative credit?

Yields on fixed income securities declined considerably since the financial crisis and the COVID-19 pandemic has put further downward pressure on interest rates with the Federal Reserve intending to keep rates low until labor market conditions improve.

In the current low yield environment, investors are increasingly favoring alternative credit for higher income as a substitute or a complement to traditional fixed income. As of June 30, 2021, GLACI had a 643 basis points income advantage over the 10-year U.S. Government debt and nearly twice the income potential of U.S. High Yield.

Current Yields



Source: Bloomberg, WisdomTree as of 6/30/2021

Furthermore, alternative credit exhibits less sensitivity to changes in interest rates.



Source: Bloomberg. High Yield Bonds represented using the ICE BofA US High Yield Index; loans calculated as 30 days/365 days in a year.

The asset class offers diversification benefits as it has moderate correlation to traditional asset classes and very low correlation with Bloomberg Barclays U.S. Aggregate Bond Index.

**Correlation Matrix: January 31, 2020 - June 30, 2021**

	ICE BofA US Treasury Index	ICE BofA US Corporate Index	ICE BofA US Fixed Rate CMBS Index (USD Unhedged)	ICE BofA US High Yield Index	S&P/LSTA US Leveraged Loan Index	S&P 500 Index	Gapstow Liquid Alternative Credit Index	Bloomberg Barclays U.S. Aggregate Bond Index
ICE BofA US Treasury Index	1.00							
ICE BofA US Corporate Index	0.41	1.00						
ICE BofA US Fixed Rate CMBS Index (USD Unhedged)	0.49	0.87	1.00					
ICE BofA US High Yield Index	-0.23	0.69	0.50	1.00				
S&P/LSTA US Leveraged Loan Index	-0.38	0.62	0.52	0.88	1.00			
S&P 500 Index	-0.35	0.43	0.19	0.76	0.66	1.00		
Gapstow Liquid Alternative Credit Index	-0.35	0.62	0.50	0.83	0.90	0.73	1.00	
Bloomberg Barclays U.S. Aggregate Bond Index	0.87	0.79	0.79	0.21	0.08	0.00	0.1	1.00

GLACI inception date is January 28, 2020. Past performance is not indicative of future results. You cannot invest in an Index.

**Gapstow Liquid Alternative Credit Index Methodology**

WisdomTree has sought to leverage the knowledge and expertise of select strategic partners to expand our suite of thematic investment opportunities.

The Gapstow Liquid Alternative Credit Index (GLACI) was developed by Gapstow Capital Partners, an expert in alternative credit with a successful ten-year track record as a credit allocator, to measure the performance of a portfolio of diversified, investable and liquid alternative credit exposures.

GLACI is an equal-weighted index comprised of 35 Publicly Traded Alternative Credit Vehicles (PACs) using an objective, rules-based methodology. PACs are selected based on their exposure to a range of U.S. alternative credit sectors (tradeable high yield, structured and private credit) and borrower segments (households, corporations, and commercial real estate sponsors). The Index is constructed using the following selection criteria:

Methodology	
	To be eligible for inclusion in GLACI, a PAC must have:
	+ Been trading for at least 90 days
	+ An average daily trading volume above \$750,000 USD over the last six months
	+ An average market capitalization above \$100,000,000 USD over the last six months
	+ Match the definition of one of six sectors:
<b>Company Selection</b>	<ul style="list-style-type: none"> <li>• Private Corporate Lending</li> <li>• Public Corporate Debt</li> <li>• Commercial Real Estate Lending</li> <li>• Agency Real Estate Debt</li> <li>• Non-Agency Real Estate Debt</li> <li>• Multi-Sector Alternative Credit</li> </ul>
<b>Weighting</b>	+ Equal weighted
<b>Reconstitution</b>	+ Semi-annually, effective on the first business day of April and October
<b>Rebalancing</b>	+ Quarterly, effective on the first business day of January, April, July, October

Sources: Gapstow, WisdomTree

Placing Alternative Credit in Your Portfolio

Alternative credit may be used as a powerful tool to provide meaningful current yield or to serve as a complement to existing high yield bond exposures. BDCs, CEFs and REITs held in the portfolio are managed by well known, established firms that provide high levels of dividend income. In our view, investing in HYIN, represents a compelling alternative for investors seeking income and total returns versus traditional investments.

GLACI Company Examples

	Company	Sector	Weight	Dividend Yield	Description
BDCs	Ares Capital Corp	Private Corporate Lending	2.94%	8.17%	Leading specialty finance company that sources and invests in high-quality borrowers that need capital
	FS KKR Capital Corp	Private Corporate Lending	2.88%	11.16%	Provides customized credit solutions to private middle market U.S. companies
	Owl Rock Capital Corp	Private Corporate Lending	2.83%	9.81%	Specialty finance company focusing on providing direct lending solutions to middle market companies
	Prospect Capital Corp	Public Corporate Debt	2.77%	8.58%	Makes debt and equity investments in U.S. middle market businesses across a range of industries
	Main Street Capital Corp	Private Corporate Lending	2.83%	5.99%	Provides flexible private equity and debt capital solutions
CEFs	PIMCO Dynamic Credit & Mortgage Income Fund	Multi-Sector Alternative Credit	2.91%	9.33%	Seeks current income as a primary objective and capital appreciation as a secondary objective by utilizing a dynamic allocation strategy across multiple fixed income sectors, with an emphasis on opportunities in developed and emerging global credit markets
	PIMCO Corporate & Income Opportunity Fund	Multi-Sector Alternative Credit	2.90%	7.88%	Seeks maximum total return through a combination of current income and capital appreciation by investing in corporate debt obligations, corporate and non-corporate income-producing securities
	PIMCO Dynamic Income Fund	Multi-Sector Alternative Credit	2.90%	9.18%	Seeks current income as a primary objective and capital appreciation as a secondary objective by investing worldwide in a portfolio of debt obligations and other income-producing securities
	BlackRock Corporate High Yield Fund Inc	Public Corporate Debt	2.91%	7.59%	Seeks to provide shareholders with current income and capital appreciation by investing in domestic and foreign high yield securities
REITs	Eaton Vance Limited Duration Income Fund	Multi-Sector Alternative Credit	2.92%	9.05%	Seeks to provide a high level of current income and capital appreciation by investing in mortgage-backed securities, senior secured floating rate loans and corporate bonds
	Annaly Capital Management Inc	Agency Real Estate Debt	2.80%	9.91%	Diversified capital manager that invests in and finances residential and commercial assets
	AGNC Investment Corp	Agency Real Estate Debt	2.86%	8.53%	Invests predominantly in agency residential mortgage-backed securities
	Starwood Property Trust Inc	Commercial Real Estate Lending	2.89%	7.34%	Focuses on originating, acquiring, financing and managing commercial mortgage loans and other commercial real estate debt investments
	New Residential Investment Corp	Non-Agency Real Estate Debt	2.86%	6.14%	Provider of capital and services to the mortgage and financial services industries
	Blackstone Mortgage Trust Inc	Commercial Real Estate Lending	2.84%	7.78%	Real estate finance company that originates senior loans collateralized by commercial real estate in North America, Europe and Australia

Source: Gapstow, Bloomberg as of 6/30/2021. Companies ranked by market cap in each category.

## Conclusion

We believe HYIN is well positioned to provide an attractive source of income as well as diversification benefits for investors.

Quick Facts	
Ticker	HYIN
Exchange	CBOE
Management Fee	0.50%
Acquired Fund Fees and Expenses	2.70%
<b>Total Expense Ratio</b>	3.20%
Structure	Open-end ETF
Exposure	BDCs, CEFs and REITs
Number of Holdings	35
Rebalancing	Quarterly
Reconstitution	Semi-annually

For more information on HYIN, contact your WisdomTree representative or visit [WisdomTree.com](http://WisdomTree.com).

Unless otherwise stated, data source is WisdomTree.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. To obtain a prospectus containing this and other important information, call 866.909.9473 or visit WisdomTree.com. Read the prospectus carefully before you invest.**

There are risks associated with investing, including the possible loss of principal. The Fund invests in alternative credit sectors through investments in underlying closed-end investment companies (“CEFs”), including those that have elected to be regulated as business development companies (“BDCs”), and real estate investment trusts (“REITs”). The value of a CEF can decrease due to movements in the overall financial markets. BDCs generally invest in less mature private companies, which involve greater risk than well-established, publicly traded companies and are subject to high failure rates among the companies in which they invest. By investing in REITs, the Fund is exposed to the risks of owning real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

You cannot invest directly in an index.

S&P 500 Index: A capitalization-weighted index of 500 stocks selected by the Standard & Poor’s Index Committee, designed to represent the performance of the leading industries in the U.S. economy. ICE BofA US High Yield Index: A capitalization-weighted index designed to measure the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Russell 2000 Index: Measures the performance of the small-capitalization sector of the U.S. equity market. S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan 100 Index: Rules-based index that consists of 100 largest loan facilities in the benchmark S&P/LSTA Leveraged Loan Index. Bloomberg Barclays U.S. Aggregate Bond Index: Measures the performance of the total U.S. investment-grade bond market. U.S. 10-Year Treasury Note: A debt obligation issued by the U.S. government with maturity of 10 years upon initial issuance.

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