WisdomTree Enhanced Commodity Strategy Fund

GCC

Given very real interest rates and elevated equity valuations[1], the macroeconomic backdrop as the economy emerges from the COVID-19 pandemic is revitalizing thoughts of higher inflation and hedges to traditional portfolios.

WisdomTree believes commodities can play an integral role in portfolio construction to enhance diversification and potentially boost the portfolio's risk-adjusted returns[2].

The WisdomTree Enhanced Commodity Strategy Fund (GCC) seeks to provide broad-based exposure to a diversified basket of commodities and bitcoin futures[3] to capitalize on asset classes that are not directly correlated to the broad equity market or fixed income returns[4].

GGC will attempt to dynamically select maturities in an effort to maximize carry[5], potentially enhance return and reduce volatility compared to first generation enhanced strategies, which invest only on the front-end of futures curves.[6]

The Case for Commodities

- **Inflation Hedge –** Commodities are "hard assets[7]" with intrinsic value[8] whose prices have tended to rise with inflation. Given a standard 60/40 equity/bond portfolio allocation and where interest rates are – near their historical lows – one of primary risks to portfolios is inflation. Assets that can hedge this inflation can be useful, particularly while real interest rates (measured after inflation) are negative.

- **Excess Returns –** Commodities' prices are largely determined by their supply and demand. During an economic expansion, production and the utilization of materials typically increase, which in turn cause an increase in demands for raw materials. Thus, commodities have tended to benefit from increased demand when the economy rebounds.

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[1] Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.
[2] Risk-adjusted returns: Returns measured in relation to their own variability. High returns with a high level of risk indicate a lower probability that actual returns were close to average returns. High returns with a low level of risk would be more desirable, as they indicate a higher probability that actual returns were close to average returns.
[3]Futures: derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price.
[4] The Fund will not invest in bitcoin directly. The discussion of bitcoin is for educational purposes only in order to help the reader understand bitcoin generally, which is the reference asset for bitcoin futures. Bitcoin and bitcoin futures have different risk profiles and different characteristics.
[5] Carry (commodity): yield that can be expected on a trade over the investment period assuming no change in spot prices, valuation, or shape of futures curves.
[6] The front end of futures curves refers to futures contracts that have shorter maturities.
[7] Hard assets tend to hold their value during unexpected events.
[8] Intrinsic value (commodity): a measure of what an asset is worth. In commodities, the term is used to identify the underlying value of the commodity as nearly as possible.

- **Portfolio Diversification –** Over long periods, commodities present a low correlation[9] with other major asset classes such as equities and fixed income. Below we show the correlations of commodities, proxied by the S&P GSCI Index (SPGSCI) and the Bloomberg Commodity Index (BCOM), versus the broad equity and fixed income benchmarks over the past three decades. Correlations are well below 0.7 and near 0, indicating some diversification potential.

Correlation between Asset Classes from 1/29/1988 to 9/30/2021				
	S&P 500 Index	Bloomberg Barclays US Agg Index	S&P GSCI Index	Bloomberg Commodity Index
S&P 500 Index	1			
Bloomberg Barclays US Agg Index	0.12	1		
S&P GSCI Index	0.24	-0.07	1	
Bloomberg Commodity Index	0.27	-0.03	0.88	1

Source: WisdomTree, Bloomberg, as of 9/30/2021. You cannot invest directly in an index. Past performance is not indicative of future performance.

The Case for Bitcoin Futures

- **Bitcoin as Digital Gold as Expressed Through Bitcoin Futures –** First, from the perspective of past performance, it is helpful to compare bitcoin and gold to point to their differences in volatility and risk level. Over the past three years, bitcoin's annualized volatility is 76.84% while gold's annualized volatility is 14.80%.[10] The highly volatile return indicates that bitcoin's adoption is still at early stage and its price might be partly driven by speculation. In the short run, investors allocating to bitcoin should have an appetite for short term volatility and risk. However, we believe gold and bitcoin are similar in their underlying economic structure which can present the potential analogy of bitcoin as "digital gold."

  Similar to gold, bitcoin, as expressed through bitcoin futures, is a scarce and deflationary asset[11] that can serve as a potential store-of-value vehicle. Bitcoin has a fixed total supply of 21 million to be realized in 2140. Its supply is also reduced by "halving" the block reward every four years.

  However, investors who believe in such, must have an appetite for short term volatility and risk. The risks such as regulatory uncertainties, price speculations, and technological development difficulties must be kept in mind of.

  The current inflationary environment so far aids its store-of-value narrative, as fiat currency[12] and bonds become less attractive. Gold, traditionally a good inflation hedge, has been disappointing over the last 12 months and many attribute bitcoin to taking in some of the demand, as can be seen with our own allocation shift.

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[9] Correlation: Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly the opposite direction.
[10] Bitcoin's volatility is calculated with bitcoin price levels from Messari. Gold's volatility is calculated with gold spot price levels from Bloomberg. From 9/30/2018 to 9/30/2021.
[11] Deflationary asset: an asset with a total number of supply that decreases over time.
[12] Fiat currency: Any money that is accepted by a government for paying taxes or debt but is not pegged to or backed directly by gold and other valuables.

- **Enhance Portfolio Diversification**[13] – Bitcoin futures, in providing exposure to bitcoin, are a compelling asset for a commodity strategy that seeks to provide returns uncorrelated with equities and fixed income. Historically, bitcoin has a correlation well below 0.5 against most major asset classes.

Correlation between Asset Classes from 12/31/2017 to 9/30/2021

	S&P 500 Index	Bloomberg Barclays US Agg Index	S&P GSCI Index	Bloomberg Commodity Index	Bitcoin
S&P 500 Index	1.00				
Bloomberg Barclays US Agg Index	0.09	1.00			
S&P GSCI Index	0.66	-0.12	1.00		
Bloomberg Commodity Index	0.60	-0.20	0.85	1.00	
Bitcoin	0.32	0.09	0.23	0.19	1.00

In our long-only broad-based commodity strategy, this addition could potentially further enhance portfolio diversification among other commodity sectors.

Correlation of Sectors Proxied by SPGSCI Subindexes (12/31/17 - 9/30/21)

	Precious Metals	Energy	Agriculture			Industrial Metals	Bitcoin
			Grains	Softs	Livestock		
Precious Metals							
Energy	-0.01						
Grains	0.00	-0.01					
Softs	0.05	0.51	0.40				
Livestock	-0.14	0.43	0.03	0.34			
Industrial Metals	0.13	0.63	0.24	0.63	0.40		
Bitcoin	0.10	0.21	0.37	0.16	-0.07	0.18	

Source: WisdomTree, Bloomberg, Messari, as of 9/30/2021. Start date is chosen to eliminate bias in bitcoin's early-stage performance, which has very high returns and we deem unlikely going forward.

- **Bitcoin Futures Market Maturation –** Regulated bitcoin futures debuted in December 2017 on the Chicago Mercantile Exchange (CME). Since then, a lot of new buyers have been entering the market via futures. We have witnessed a pickup in institutional demand, reflected by rises in open interest and trading volume. The increase suggests the gradual maturation of the futures market, which provided more liquidity for institutional investors.

WisdomTree's Investment Process

GCC is a long-only fund[14] investing in commodities and bitcoin through futures contracts[15]. Every December, WisdomTree determines the target weights for each sector and commodity based on our macro-economic outlook and single commodity house view, liquidity, and economic significance.

[13] The price of bitcoin futures and related costs should be expected to differ from the cash price of bitcoin. Consequently, the performance of bitcoin futures should be expected to perform differently from the price of bitcoin, including the correlation of returns to other asset classes. These differences could be significant.
[14] Long only refers to the purchase of an asset. In futures, it refers to entering into futures contracts with obligations to buy the underlying instrument at the contract price at expiration.
[15] Futures contract: a legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future.

After the initial positions are established each year, we review our commodity positions monthly based on the shapes of futures curves[16], by rolling into the maturity with the highest expected carry for each contract in the portfolio. During this process, we may also incorporate any tactical sector tilts[17] that we deem important based on our sector outlook.

Commodities and futures are generally volatile and are not suitable for all investors. Investments in commodities may be affected by overall market movements, changes in interest rates and other factors such as weather, disease, embargoes, and international economic and political developments.

Methodology	
Yearly Process	+ **Strategic Allocation**: WisdomTree's Research Team sets target portfolio weights once a year and intends for them to be reflective of strategic, longer-run positioning. The portfolio will typically rebalance once a year to those strategic weights, in December. + **Eligible Maturities:** Not all maturities on a futures contract's curve are liquid enough to be invested in. Once a year, futures contract liquidity is assessed at various maturities to determine which maturities are eligible for each of the following year's rolls.
Monthly Process	+ **Maturity Selection:** The strategy generally selects the eligible contract with the highest expected carry. + **Tactical Tilts:** WisdomTree's Research Team reviews the outlook for the futures contracts based on the supply/demand balance for individual commodities, market sentiment, and other technical factors for potential tactical tilts in the allocation.

[16] The futures curve is the graphical representation of the relationship between the price of futures contracts and the time to maturity of the contracts. The futures curve can be in contango or backwardation. Backwardation is when the current price (spot price) of an underlying asset is higher than prices trading in the futures market.
[17] Depends on WisdomTree's outlook, we may increase/decrease weights in a particular sector.

Broad and Diversified Commodity Exposure

Of 28 commodities reviewed for inclusion, GCC selected a comprehensive exposure to a total of 24 commodities via futures contracts across four sectors: Energy, Agriculture (which includes Grains, Softs[18], Livestock), Precious Metals, and Industrial Metals. It covers the complete list of commodity sectors and considers 28 actively traded single commodities when constructing the strategy.

The portfolio is not only broad but also diversified across various commodity sectors. Correlations among the four sectors are low (below 0.5), which helps reduce idiosyncratic risk[19].

Correlation of Sectors Proxied by SPGSCI Subindexes (12/31/04 - 9/30/21)

	Precious Metals	Energy	Agriculture			Industrial Metals
			Grains	Softs	Livestock	
Precious Metals						
Energy	0.21					
Grains	0.29	0.20				
Softs	0.27	0.36	0.43			
Livestock	-0.03	0.25	-0.04	-0.01		
Industrial Metals	0.35	0.50	0.30	0.41	0.12	

Source: WisdomTree, Bloomberg, as of 9/30/2021. You cannot invest directly in an index. Past performance is not indicative of future performance

Moreover, commodities within the same sector have relatively low correlation, which further enhance diversification among single commodities.

GCC Weights

Contract	Code	New Weight
Energy		**29.2%**
Brent Crude Oil	CO	9.4%
WTI Crude Oil	CL	9.2%
ULS Diesel	HO	5.0%
Low Sulphur Gas Oil	QS	2.7%
RBOB Gasoline	XB	3.0%
Grains		**18.4%**
Corn	C	5.6%
Soybeans	S	4.8%
Wheat	W	4.3%
Soybean Oil	BO	2.2%
HRW Wheat	KW	1.5%
Softs		**7.7%**
Sugar	SB	2.4%
Coffee	KC	2.6%
Cocoa	CC	1.6%
Cotton	CT	1.0%
Livestock		**4.6%**
Live Cattle	LC	2.1%
Lean Hogs	LH	1.8%
Feeder Cattle	FC	0.6%
Precious Metals		**15.6%**
Gold	GC	9.0%
Silver	SI	5.0%
Platinum	PL	1.6%
Industrial Metals		**21.6%**
Copper	LP	8.2%
Aluminum	LA	6.8%
Zinc	LX	3.6%
Nickel	LN	3.1%
Bitcoin Futures		**3.0%**
Bitcoin Futures	BTC	3.0%

GCC New Weights as of 10/15/2021. New Weights represent the contract weights set in October 2021. As we rebalance the strategy, actual weights on any business day may vary from rebalance weights due to market price fluctuations. Contract refers to any listed commodity futures contract.

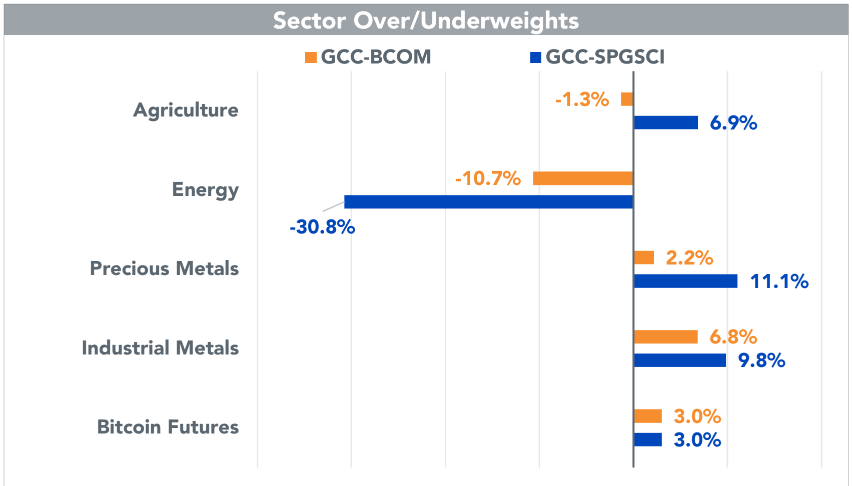
Diversification does not guarantee the fund will avoid losses

[18] Softs refers to commodities that are grown rather than extracted or mined.

[19] Idiosyncratic risk refers to the inherent factors that can negatively impact individual securities or a very specific group of assets.

Sector Allocations Focus on Hedging Inflation and Investing in Emerging Technologies

Comparing GCC with the well-established commodity benchmarks – S&P GSCI Index (SPGSCI) and the Bloomberg Commodity Index (BCOM) – GCC places a heavier weight in the Precious Metals and Industrial Metals sectors while it underweights the Energy sector.



Source: WisdomTree, Bloomberg, S&P, as of 9/30/2021. BCOM and SPGSCI weights as of 10/8/2021. GCC New Weights as of 10/15/2021. New Weights represent the contract weights set in October 2021. As we rebalance the strategy, actual weights on any business day may vary from rebalance weights due to market price fluctuations. Past performance is not indicative of future results. You cannot invest directly in an index.

Overweight in The Precious Metals Sector

Our decision to overweigh the Precious Metals sector is based on three reasons: to help combat inflation, to hedge against USD weakening, and to help limit adverse drawdowns in a portfolio.

Precious metals historically have an inverse relationship vs. the USD. Since 1996, the correlation of gold and silver against the USD turned negative with a current correlation around -0.5.[20] With continuing low interest rate, loose Fed policies, we believe the USD could weaken further and lead to a stronger performance from precious metals.

[20] Correlation here refers to the 5-year trailing correlation vs. the USD. Data as of 9/30/2021.

Historically viewed as "safe" assets, precious metals may help reduce adverse drawdowns of a portfolio amidst market uncertainty, although this is not guaranteed. During the last 15 years, when S&P 500 Index suffered extreme drawdowns the blended portfolio of precious metals[21] strongly outperformed equities and even generated positive returns in some instances.

Performance During Equity Drawdowns			
Start	**End**	**Entity**	**Drawdown**
2007-10-31	**2009-02-27**	S&P 500 Index	-50.95%
		Bloomberg US Agg Index	6.08%
		Precious Metals	-5.68%
2018-09-28	**2018-12-31**	S&P 500 Index	-13.52%
		Bloomberg US Agg Index	1.64%
		Precious Metals	3.45%
2019-12-31	**2020-03-31**	S&P 500 Index	-19.59%
		Bloomberg US Agg Index	3.15%
		Precious Metals	-14.32%

Source: WisdomTree, FactSet, as of 9/30/2021. Drawdown periods are selected from S&P 500 Index's three largest drawdowns from 12/31/2004 to 9/30/2021. Precious Metals performance is proxied by an equal-weighted portfolio of gold, silver, and platinum. You cannot invest directly in an index. Past performance is not indicative of future performance. Precious metals are not guaranteed to maintain their values during periods of market volatility; what constitutes a safe-haven changes over time.

Overweight in The Industrial Metals Sector

Industrial Metals such as copper and aluminum are key elements in the decarbonization and vehicle energy transition processes because of their light weight, conductivity, and ductility. They are becoming more and more widely used in electronic devices, electricity delivery and storage, transportation (including electric vehicles), communication, and manufacturing areas. As we progress towards a more environmentally friendly world, we believe the demands for these metals will rise. Investing in these industrial metals is a thematic approach to capture the rapid growth potential of emerging technologies.

Underweight in The Energy Sector

Opposite to our emphasis on clean and sustainable energy, traditional sources of energy such as crude oil and natural gas could be less valued in the future because they are among the main culprits of pollution. The Energy sector's vulnerability is particularly shown during the COVID-related economic recession, as their demands tend to drop more dramatically when production takes a pause.

Most importantly, the Energy sector has suffered from carry cost in the past. In particular, natural gas has historically suffered so much from carry cost that a position in this commodity would have lost basically all of its value over the past 20 years. For this reason, we would only invest in natural gas for tactical trades.

[21] Precious Metals performance is proxied by a blended portfolio of gold, silver, and platinum based on our rescaled target weights.

Maximizing Carry to Reduce Return Erosion

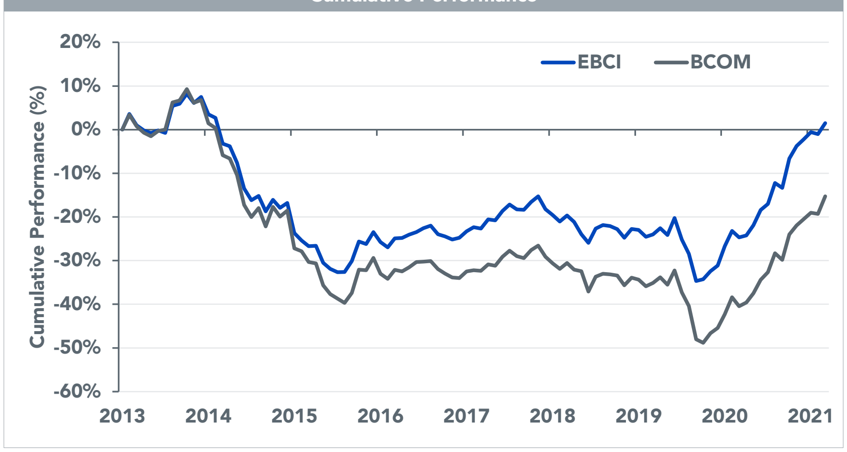
A lot of investors fail to realize the importance of carry cost in trading commodity futures. Investing in a commodity through different points on its futures curve can lead to widely different returns, as carry affects maturities differently. Two strategies with the same commodity allocation but different maturity selection mechanisms can thus show widely different returns over the long run.

The Bloomberg Commodity Index is one of the examples where carry cost is not taken into account. The strategy focuses on allocation, ignoring carry cost by investing only in the front-end contracts, obeying to a fixed rolling schedule[22], regardless of curves shapes. For contangoed curves[23], positions on the front end, where the curve is usually steeper, could suffer significantly more from carry cost than positions on the longer end. Dynamic strategies like ours would buy longer-dated maturities that seek to reduce carry cost on contangoed commodities. Furthermore, longer-dated maturities are less affected by short-term factors and typically have a lower volatility[24] than front maturities[25]. Selecting longer-dated maturities on contangoed curve could reduce the overall volatility of enhanced strategies.

Below we show the historical alpha[26] that was generated from carry by comparing the performance between the Optimized Roll Commodity Total Return Index (EBCI) vs. BCOM. EBCI invests in the same contracts with same weights and same rebalance frequency as BCOM. But EBCI selects maturities based on curves shapes, based on expected carry, while BCOM obeys to a fixed rolling schedule, only investing in the closer end of the curve. Hence, performance difference essentially comes from investing in different maturities.

	EBCI	BCOM
Annualized Return (7/30/2013 -9/30/2021)	0.18%	-1.99%

Cumulative Performance



Source: WisdomTree, Bloomberg. From 7/30/2013 to 9/30/2021. EBCI refers to the Optimized Roll Commodity Total Return Index (EBCIWTT), BCOM refers to the Bloomberg Commodity Total Return Index (BCOMTR). Past performance is not indicative of future results. You cannot invest directly in an index.

[22] Fixed rolling schedule refers to rolling over futures contracts to switch from the front month contract that is close to expiration to another contract in a further-out month with a fixed maturity difference.
[23] Contango: a situation where the futures price of a commodity is higher than the spot price. Contango usually occurs when an asset price is expected to rise over time. That results in an upward sloping forward curve.
[24] Volatility: A measure of the dispersion of actual returns around a particular average level.
[25] Futures contracts with shorter maturities, locating at the front-end of futures curves.
[26] Alpha: Can be discussed as both risk-adjusted excess return relative to a specific benchmark, or absolute excess return relative to a benchmark. It is sometimes more generally referred to as excess returns in general.

Conclusion

For investors seeking to incorporate commodities into their portfolios for diversification purposes, GCC provides broad exposure across all commodity sectors with a focus on inflation hedge and future-oriented technologies. It moves away from the fixed rolling mechanism seeking to maximize carry and enhance returns while lowering volatility.

Quick Facts	
Ticker	GCC
Exchange	NYSE
Expense Ratio	0.55%
Structure	Open-end ETF
Exposure	Broad Commodities
Number of Holdings	20-27
Rebalancing	Yearly

For more information on GCC, contact your Financial Advisor or visit WisdomTree.com.

Prior to 12/21/2020 the GCC ticker was used for an Exchange Traded Commodity Pool trading under a different name and strategy.

S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

S&P GSCI Index (SPGSCI): a composite index of commodities that measures the performance of the commodity market. Bloomberg Commodity Index (BCOM): a broadly diversified commodity price index distributed by Bloomberg Indexes. Optimized Roll Commodity Total Return Index (EBCI): has a built-in mechanism that aims to minimize contango and maximize backwardation. This is done with a rules-based dynamic approach to rolling futures contracts.

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 possible loss of principal. An investment in this Fund is speculative, involves a substantial degree of risk, and should not constitute an investor's entire portfolio. One of the risks associated with the Fund is the complexity of the different factors which contribute to the Fund's performance. These factors include use of commodity futures contracts. In addition, bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue. In addition, derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions. The value of the shares of the Fund relate directly to the value of the futures contracts and other assets held by the Fund and any fluctuation in the value of these assets could adversely affect an investment in the Fund's shares. Because of the frequency with which the Fund expects to roll futures contracts, the impact of such contango or backwardation may be greater than the impact would be if the Fund experienced less portfolio turnover.

Diversification does not eliminate the risk of experiencing investment losses.

Statements concerning financial market trends are based on current market conditions, which will fluctuate. References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

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