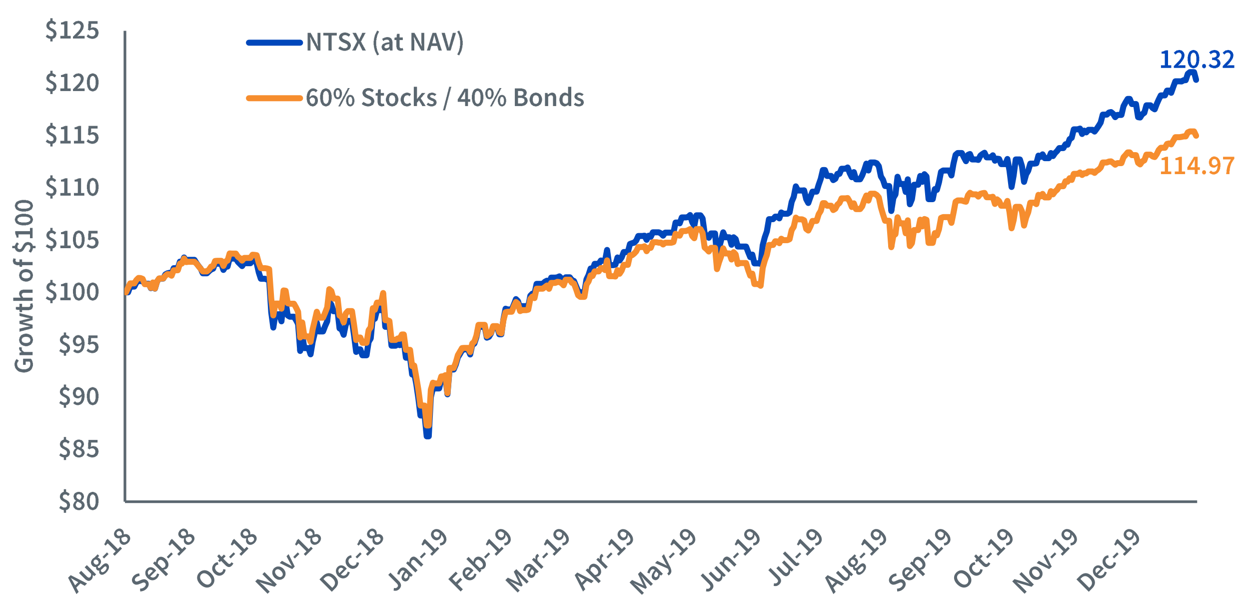
The WisdomTree 90/60 U.S. Balanced Fund

How It Works and Why We Created It

Over the last 25 years, a simple 60% stock/40% bond portfolio[1] has returned 9% per year. Unfortunately, we believe there will be a lower return environment, on average, for both equities and fixed income going forward. As a result, these challenges create headwinds for traditional portfolio approaches in achieving investor goals.

The WisdomTree 90/60 U.S. Balanced Fund (NTSX) was designed to help investors create more optimal portfolio blends and magnify portfolio exposures through the prudent use of leverage[2]. While NTSX does not borrow to gain additional exposure, it does use futures contracts[3] to enhance the capital efficiency[4] of the Fund. As we show in the chart below, NTSX has been quite effective in generating excess returns versus a 60/40 portfolio over its short life span.

NTSX vs. 60% Stocks/40% Bonds



Source: Bloomberg, as of 12/31/19. Past performance is not indicative of future results. You cannot invest directly in an index.

---

[1] As measured by the S&P 500 Index (60% Stocks) and the Bloomberg Barclays U.S. Aggregate Index (40% Bonds), as of 12/31/19.
[2] Leverage: Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.
[3] Futures Contract: Reflects the expected future value of a commodity, currency or Treasury security.
[4] Capital efficiency: The ability for an investment strategy to gain exposure to a particular market while using fewer assets.

			Average Annual Total Returns as of 12/31/19					
Fund	Expense Ratio	Fund Inception Date	YTD	1 year	3 years	5 years	10 year	Since WT Fund Inception
WisdomTree 90/60 U.S. Balanced Fund (NAV)	0.20%	8/2/2018	31.53%	31.53%	N/A	N/A	N/A	14.11%
WisdomTree 90/60 U.S. Balanced Fund (Market Price)			31.82%	31.82%	N/A	N/A	N/A	14.07%
60% Stocks / 40% Bonds			21.83%	21.83%	N/A	N/A	N/A	10.35%

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.

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 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 returns do not represent the returns you would receive if you traded shares at other times. 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.

Next, we'll provide answers to some of the most frequently asked questions around the WisdomTree 90/60 U.S. Balanced Fund (NTSX).

HOW DID WE CONSTRUCT THE NTSX PORTFOLIO?

+ **Equity Component**: NTSX has $90 invested in equity exposure for every $100 invested in the ETF. The equity component is a portfolio of 500 large-cap U.S. stocks, weighted by market capitalization[5] to provide broad exposure to U.S. equities.
+ **Cash Component**: For every $100 invested in the ETF, $10 is kept in short-term collateral[6] and earns returns comparable to U.S. Treasury bills.
+ **Bond Futures Ladder**: To help magnify the benefits of the asset allocation, $60 of bond futures are overlaid on top of the $90 of equity exposure and $10 of cash collateral.
    - Treasury futures are laddered (equal-weighted) across the 2-, 5-, 10- and 30-year segments of the yield curve[7] to diversify interest rate risk.
    - Average effective duration[8] for the fixed-income portion of NTSX will typically be 7–7.5 years and generally is meant to offer the duration profile of traditional aggregate bond indexes.[9]

Bottom line: The combined exposure of NTSX can, in our view, be employed in a way to add more fixed income diversification to a straight equity portfolio.

---

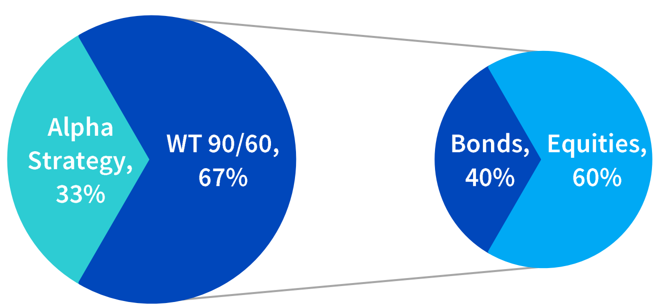
[5] Market Capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.
[6] Collateral: something pledged as security for repayment in the event of a loss.
[7] Yield curve: Graphical Depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.
[8] Effective Duration: Effective duration is a duration calculation for bonds that have embedded options. This measure of duration takes into account the fact that expected cash flows will fluctuate as interest rates change. Effective duration can be estimated using modified duration if a bond with embedded options behaves like an option-free bond.
[9] Such as the Bloomberg Barclays US Aggregate Bond Index.

HOW CAN INVESTORS USE NTSX?

+ Substitute for equity beta[10]**:** WisdomTree believes NTSX can provide greater return enhancement and diversification potential versus a 100% equity portfolio.
    – NTSX may have similar volatility[11] to a 100% equity allocation over market cycles, but our research shows it can help reduce drawdowns[12] and potentially provide higher risk-adjusted returns.
+ More exposure for alternatives: NTSX can also be used to replace a combination of stocks and bonds—creating a more efficient portfolio in order to free up capital for allocations to other diversifiers or hedging strategies.

WisdomTree's approach applies 1.5x accounting leverage to a traditional 60% stocks/40% bonds portfolio to create exposure equal to 90% stocks/60% bonds.

Improving Asset Allocation via Capital Efficiency



Alpha Strategy Characteristics

+ Low or variable correlation to traditional assets
+ Returns tied to non-standard risk-premia such as real estate or private equity
+ Consistent returns or ability to generate uneven payoffs

Source: WisdomTree. Alpha: Can be discussed as 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. Risk premia: Equity investments are not risk-free, but it is thought that investors buy stocks because the returns they expect are high enough to allow them to take the risk.

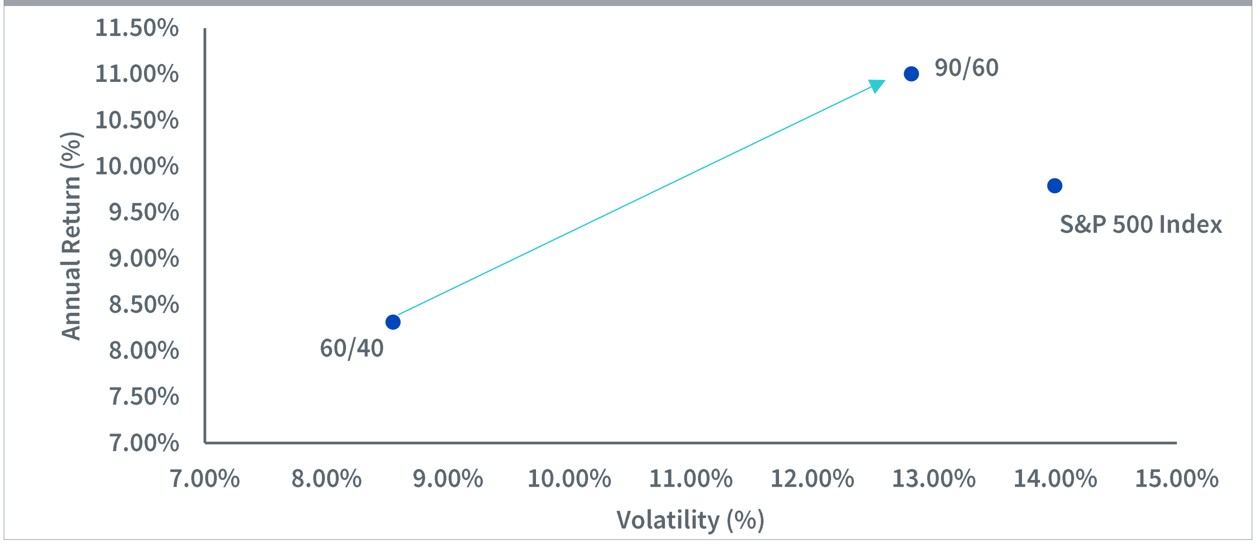
Through NTSX's higher capital efficiency, an investor using a 60/40 portfolio can allocate two-thirds (66.7%) of their assets to achieve their desired core exposure. This leaves one-third (33.3%) of their remaining capital for diversifying strategies.

By deploying an overlay strategy to boost capital efficiency, a 90/60 strategy has the potential to enhance total returns while also helping dampen volatility via alternatives.

[10] 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.
[11] Volatility: A measure of the dispersion of actual returns around a particular average level.
[12] Drawdowns: Periods of sustained negative trends of returns.

In our research, levering a 60/40 portfolio historically produced a higher Sharpe ratio[13] than the S&P 500 Index (0.66 vs. 0.52)[14]. NTSX can potentially achieve equity-like returns with a higher Sharpe ratio.

Levering a Higher Sharpe Portfolio



Sources: WisdomTree, Bloomberg. Returns from 12/31/1991 to 12/31/2019. Past performance is not indicative of future results. You cannot invest directly in an index. A 60/40 portfolio is represented by a monthly blend of 60% to the S&P 500 Index and 40% to the Bloomberg Barclays U.S. Aggregate Index. A 90% equity/60% bond portfolio takes a 60/40 monthly rebalanced portfolio levered 1.5 times.

As long as the generally negative correlation between stocks and bonds persists in the long run, NTSX's fixed-income exposure can serve as a hedge to its equity basket.

To determine if the strategy will have lower volatility, one important relationship to examine will be the correlation between stocks and bond futures. If stocks and bonds decline at the same time (i.e., a rising interest rate environment causes stocks to decline), there could be compounding risk. Our research does lead us to believe the combined volatility in a 90/60 strategy should be lower than 100% equities, and, if anything, recent evidence shows *increasing diversification* of the stock and bond pieces. But, of course, correlations are unstable, and this could change in the future.

[13] Sharpe ratio: Measure of risk-adjusted return. Higher values indicate greater return per unit of risk, specifically standard deviation, which is viewed as being desirable.
[14] Sharpe ratio evaluated by looking at risk-adjusted returns of a 60/40 portfolio from 12/31/1991 to 12/31/2018. Dates are chosen due to data availability. 60%/40% represented by monthly blend of 60% to the S&P 500 Index and 40% to the Bloomberg Barclays U.S. Aggregate Index.

Rolling Correlation of S&P 500 and Bond Futures Composite

Sources: WisdomTree, S&P, Bloomberg, Zephyr and StyleADVISOR, for the period 8/31/1990–12/31/2019. Bond Futures Composite is constructed using an equal weight of four indexes: the ICE BofA Merrill Lynch 2-, 5-, 10- and 30-Year U.S. Treasury Futures Excess Return Indexes. Past performance is not indicative of future results. You cannot invest directly in an index. Start date is chosen due to data availability.

TAX EFFICIENCY

How can futures make NTSX more tax-efficient?

For U.S. investors, fixed income (bond) total returns are primarily driven by interest income. If cash bonds are held in taxable accounts, any income distributions are typically subject to ordinary income tax rates of up to 39.6%. By comparison, capital gains on Treasury futures contracts are taxed at 60% long-term, 40% short-term capital gains rates.

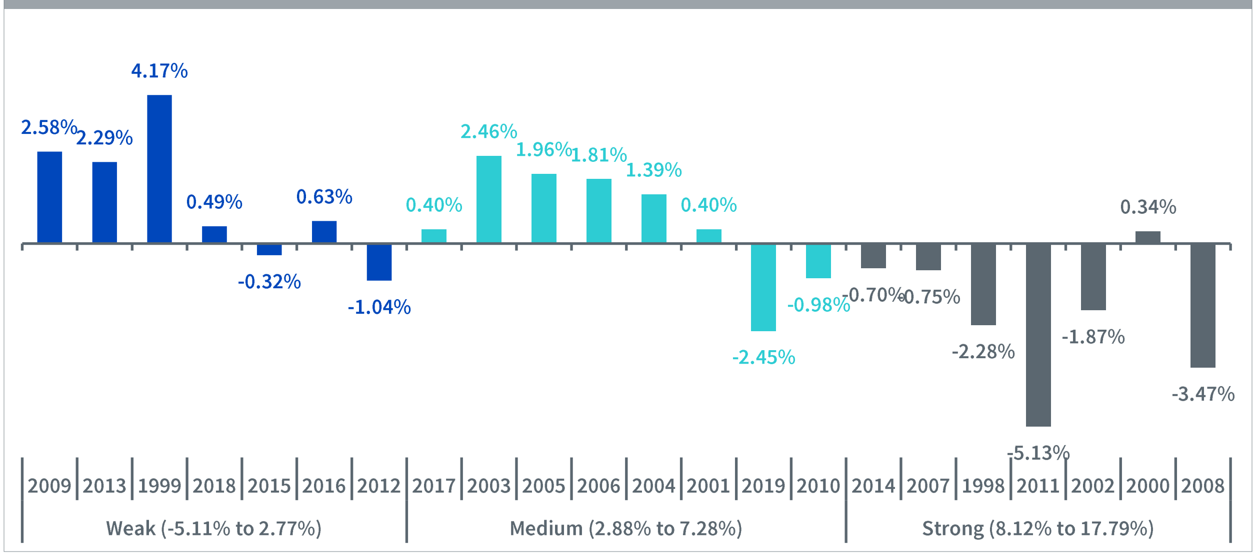
During periods of weak fixed income performance (typically associated with rising interest rates), an investor who has direct exposure to bonds may experience unrealized principal losses due to decreases in the bond's price. However, they will still need to pay ordinary income taxes on the coupon payments during this time. On the other hand, had that investor gained fixed income exposure via bond futures, they would not be subject to taxes if their position declined in value. Additionally, any losses would be able to be carried forward[15] to offset any future gains.

[15] Carry forward: Refer to the situation when investment loss can be used to offset a capital gains liability.

During periods of medium bond performance (flat rates), an investor who has direct exposure to bonds could experience no change to the price of the bond's they hold, but still pay ordinary income tax on the coupon payments. An investor with exposure to bond futures will see the price of the futures contract increase in order to compensate them for their interest income (note: futures contracts do not make coupon payments). These gains would be taxed at 60% long-term, 40% short-term capital gains rates.

In periods of strong bond performance (falling rates), direct exposure to bonds would tend to be more tax-efficient than exposure via bond futures. In this scenario, investors with direct bond exposure will still be paying ordinary income tax on distributions, but they will not have to pay taxes on the appreciation of the bond's price until the bond is sold. For investors with exposure via bond futures, the prices of their positions will increase due to an increase in bond prices and compensation for interest income. These gains would be subject to 60% long-term, 40% short-term capital gains rates.

U.S. Treasury Futures (after tax) Excess Returns 7-10 Year Cash Bonds (after tax) during Different Rate Environments



Source: Bloomberg, WisdomTree, as of 12/31/19. Excess returns represent the after-tax returns of an equal weight blend of 4 indexes: the BofA Merrill Lynch 2, 5, 10, and 30 Year U.S. Treasury Futures Total Return Indexes, and the Bloomberg Barclays U.S. Treasury: 7-10 Year Total Return Index. Past performance is not indicative of future results. You cannot invest directly in an index. Neither WisdomTree Investments, Inc., nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax advice. All references to tax matters or information provided on this site [in this material] are for illustrative purposes only and should not be considered tax advice and cannot be used for the purpose of avoiding tax penalties. Investors seeking tax advice should consult an independent tax advisor.

RISK MANAGEMENT

How might NTSX perform during different market scenarios?

NTSX will tend to perform best during periods of sustained equity market gains combined with falling interest rates, much like we've seen in 2019.

The opposite is also true: Rising yields and falling equities will generate negative returns. However, compared to 100% equities, NTSX will tend to outperform on the downside as long as losses on the bond futures ladder are less than losses on a 100% equity allocation.

NTSX rebalances quarterly to its 90/60 target exposure. Additionally, the strategy will undergo a special rebalance should the target exposure deviate by +/- 5%. This was designed to help prevent large deviations from the desired 60/40 risk profile.

How does the fixed income portion of NTSX differ from the Bloomberg Barclays U.S. Aggregate Index (the Agg)?

Interest rate risk: The Agg has a duration of 5.9 years versus 7.1 years for NTSX. Additionally, NTSX's exposure is evenly distributed across the yield curve via a bond futures ladder.

Credit risk[16]: Forty percent of the Agg is invested in U.S. Treasury securities, whereas NTSX has 100% exposure in U.S. Treasury securities.

Income: Investing in cash bonds generates income via coupon payments. NTSX gains exposure to fixed income via futures contracts, which do not make coupon payments. In theory, investing $100 in collateral combined with $100 in Treasury futures contracts should replicate the returns of investing in a cash bond. However, given that NTSX is investing $10 in collateral and $60 in futures contracts, the carry[17] component will be less.

Is it possible for the strategy to break?

Despite its use of accounting leverage, it is not possible for NTSX to incur losses in excess of its principal.

CONCLUSION

Since its launch in August 2018, NTSX has generated a significant amount of interest in our conversations with investors. As the strategy moves from the research phase to a proven concept with a live track record, we believe adoption will continue to accelerate.

---

[16] Credit risk: The risk that a borrower will not meet their contractual obligations in conjunction with an investment.
[17] Carry: The amount of return that accrues from investing in fixed income or currency forward contracts.

Investors should 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 call 866.909.9473, or visit WisdomTree.com to view or download a prospectus. Investors should read the prospectus carefully before investing.

There are risks associated with investing, including possible loss of principal. While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models and the models may not perform as intended. Equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate. The Fund invests in derivatives to gain exposure to U.S. Treasuries. The return on a derivative instrument may not correlate with the return of its underlying reference asset. The Fund's use of derivatives will give rise to leverage, and derivatives can be volatile and may be less liquid than other securities. As a result, the value of an investment in the Fund may change quickly and without warning, and you may lose money. Interest rate risk is the risk that fixed income securities, and financial instruments related to fixed income securities, will decline in value because of an increase in interest rates and changes to other factors, such as perception of an issuer's creditworthiness. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

Bloomberg Barclays U.S. Aggregate Bond Index: Represents the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, as well as mortgage and asset-backed securities. ICE BofA Merrill Lynch 2-, 5-, 10- and 30-Year U.S. Treasury Indexes: The indexes measure the performance of Treasuries with 2, 5, 10 and 30 years remaining until maturity, respectively. Bloomberg Barclays U.S. Treasury: 7-10 Year Total Return Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity of between 7 and up to (but not including) 10 years. Certain special issues, such as state and local government series bonds (SLGs), TIPS and STRIPS are excluded. Securities must be fixed-rate and rated investment grade, as defined by the Index methodology. 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.