
BUILDING MODEL PORTFOLIOS TO ADDRESS MULTIPLE INVESTOR OBJECTIVES

Scott Welch — Chief Investment Officer, Model Portfolios
01/08/2021

This article is relevant to financial professionals who are considering offering Model Portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these Model Portfolios.

As we begin a new year (thank goodness!), we thought it an appropriate title for a blog post reviewing the [WisdomTree Model Portfolio lineup](#).

As a quick reminder, WisdomTree has managed model portfolios since 2013, and 2020 saw accelerating AUM growth and increased adoption by RIAs, banks, and wire house platforms. All model allocations, holdings, and performance results are available to financial professional who register on the WisdomTree website.

We've organized our Model Portfolios into three categories:

1. **Strategic:** Think of these as traditional stock and bond portfolios that can be deployed as total portfolio solutions. We run **global equity** and **global fixed income** models, as well as **global multi-asset** models where our equity and fixed income portfolios are combined to address different risk profiles and risk/return characteristics.

We also run a series of "[endowment](#)" models that combine our equity and fixed income models with allocations to real assets (e.g., commodities, infrastructure, master limited partnerships, etc.) and alternative investments (e.g., option-based strategies, hedged equity, etc.) for advisors and end clients seeking to increase diversification within their portfolios.

2. **Outcome-Focused:** While these models can be (and are) used as stand-alone portfolios, each one is designed to address a very specific investment objective, and frequently are deployed as "portfolio sleeves" to complement an existing portfolio. These models include:

- **Global [Dividends](#)** – an all equity portfolio designed to [maximize current income and yield while controlling for risk](#);
- **Global Multi-Asset Income** – this portfolio is also designed to maximize risk-controlled current income and yield, but incorporates equity, fixed income and other allocations (e.g., master limited partnerships, covered calls, preferreds, etc.);
- **Volatility Management** – this portfolio allocates to [nontraditional/alternative positions](#) (e.g., merger arbitrage, hedged equity, option-based, etc.) and is deployed by advisors seeking to add additional potential return drivers and/or increase the overall diversification of a broader portfolio;
- **Disruptive Growth** – this portfolio is designed to [capture the performances of high-growth industries](#), sectors and companies that fundamentally are changing the way we work, interact with each other, entertain ourselves and keep ourselves healthy; and
- **Multifactor** – these [models](#) are built to increase the [risk factor diversification](#) of an overall portfolio and are used by advisors to potentially reduce the volatility of more traditional portfolios that may have more concentrated risk factor exposures. These models are available in U.S., developed international and emerging market versions.

3. **Collaboration/Partnership:** These models are based on two fundamental WisdomTree beliefs: (1) We don't own all

the intellectual capital in the world—there are other people and other firms that are smart; and (2) Many advisors are happy to use Model Portfolios to help run their practices but want to be involved in the construction and ongoing management of those models.

With these beliefs in mind, we offer a series of collaboration models, either (a) partnering with other asset management firms (to build multi-asset “best ideas” portfolios), or (b) working with advisory firms and platforms to build customized portfolios designed to address specific mandates or end client investment preferences.

In particular, in late 2019 we launched two Model Portfolios in collaboration with Dr. Jeremy Siegel, Professor at The Wharton School and a since-inception Strategic Advisor to WisdomTree. Both models (the “**Siegel-WisdomTree Longevity**” model and the “**Siegel-WisdomTree Global Equity**” model) are based on [challenging the traditional “60/40” mindset](#) and on several underlying core beliefs about the current investment landscape:

1. **Stocks for the Long Run¹** – Dr. Siegel has long advocated (and published on) the idea that, over reasonable time horizons, stocks will deliver the best returns and lowest long-term volatility of any asset class.
2. **Demographics and longevity** – The evidence is clear—as a society we are both aging and living longer. This has profound implications for portfolio construction, where both income generation and an improved longevity profile (i.e., not outliving your money) are increasingly important.
3. **Interest rates will remain lower for longer** – We simply do not see any catalyst for a dramatic increase in interest rates in the foreseeable future. This means it will remain difficult to generate current income out of a traditional fixed income allocation, and we believe a “better mousetrap” is to increase equity allocations but focus those allocations on yield- and income-generating securities.

Common Characteristics of WisdomTree Model Portfolios

While each WisdomTree model is designed to address different investment mandates and end client objectives, they each share certain common characteristics (though some of our customized models may differ, based on advisor specifications):

1. They are global in nature. We are a global asset management firm, and we believe in global investing;
2. They are constructed primarily with ETFs, which we believe helps to optimize both costs and tax efficiency;
3. They are diversified at both the asset class and risk factor levels, which we believe helps to improve performance consistency over full market cycles;
4. They are “open architecture”—i.e., they include both WisdomTree and third-party strategies. We believe this is what end clients expect and advisors demand, and that it helps to improve the diversification profiles of the models;
5. We charge no strategist fee; and
6. All models are fully “GIPS compliant” from a performance perspective. We believe in full transparency with respect to our allocations and performances.

Conclusion

As we head into 2021 – a year we believe we will see positive [global economic and earnings growth, we like how our models](#) are positioned and allocated at both the asset class and risk factor levels. They should benefit from what we anticipate will be a “risk on” market environment but are also built as “all weather” portfolios to handle whatever may come their way.

We believe that advisors may find that our model portfolio line-up can address diverse investment objectives and help deliver a differentiated end client experience.

¹Jeremy J. Siegel, *Stocks for the Long Run*, McGraw-Hill Education, 2014.

Important Risks Related to this Article

WisdomTree Model Portfolio information is designed to be used by financial advisors solely as an educational resource, along with other potential resources advisors may consider, in providing services to their end clients. WisdomTree’s Model Portfolios and related content are for information only and are not intended to provide, and should not be relied on for, tax, legal, accounting, investment or financial planning advice by WisdomTree, nor should any WisdomTree Model Portfolio information be considered or relied upon as investment advice or as a recommendation from WisdomTree, including regarding the use or suitability of any WisdomTree Model Portfolio, any particular security or any

particular strategy. In providing WisdomTree Model Portfolio information, WisdomTree is not acting and has not agreed to act in an investment advisory, fiduciary or quasi-fiduciary capacity to any advisor or end client, and has no responsibility in connection therewith, and is not providing individualized investment advice to any advisor or end client, including based on or tailored to the circumstance of any advisor or end client. The Model Portfolio information is provided “as is,” without warranty of any kind, express or implied. WisdomTree is not responsible for determining the securities to be purchased, held and/or sold for any advisor or end client accounts, nor is WisdomTree responsible for determining the suitability or appropriateness of a Model Portfolio or any securities included therein for any third party, including end clients. Advisors are solely responsible for making investment recommendations and/or decisions with respect to an end client and should consider the end client’s individual financial circumstances, investment time frame, risk tolerance level and investment goals in determining the appropriateness of a particular investment or strategy, without input from WisdomTree. WisdomTree does not have investment discretion and does not place trade orders for any end client accounts. Information and other marketing materials provided to you by WisdomTree concerning a Model Portfolio—including allocations, performance and other characteristics—may not be indicative of an end client’s actual experience from investing in one or more of the funds included in a Model Portfolio. Using an asset allocation strategy does not ensure a profit or protect against loss, and diversification does not eliminate the risk of experiencing investment losses. There is no assurance that investing in accordance with a Model Portfolio’s allocations will provide positive performance over any period. Any content or information included in or related to a WisdomTree Model Portfolio, including descriptions, allocations, data, fund details and disclosures, are subject to change and may not be altered by an advisor or other third party in any way.

WisdomTree primarily uses WisdomTree Funds in the Model Portfolios unless there is no WisdomTree Fund that is consistent with the desired asset allocation or Model Portfolio strategy. As a result, WisdomTree Model Portfolios are expected to include a substantial portion of WisdomTree Funds notwithstanding that there may be a similar fund with a higher rating, lower fees and expenses or substantially better performance. Additionally, WisdomTree and its affiliates will indirectly benefit from investments made based on the Model Portfolios through fees paid by the WisdomTree Funds to WisdomTree and its affiliates for advisory, administrative and other services.

Jeremy Siegel serves as Senior Investment Strategy Advisor to WisdomTree Investments, Inc., and its subsidiary, WisdomTree Asset Management, Inc. (“WTAM” or “WisdomTree”). He serves on the Asset Allocation Committee of WisdomTree, which develops and rebalances WisdomTree’s Model Portfolios. In serving as a consultant to WisdomTree in such roles, Mr. Siegel is not attempting to meet the objectives of any person, does not express opinions as to the investment merits of any particular securities and is not undertaking to provide and does not provide any individualized or personalized advice attuned or tailored to the concerns of any person.

The Siegel-WisdomTree Longevity Model Portfolio seeks to address increasing longevity by shifting the focus to potential long-term growth through a higher stock allocation versus more traditional “60/40” portfolios.

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.

For more investing insights, check out our [Economic & Market Outlook](#)

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.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Dividend : A portion of corporate profits paid out to shareholders.

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Interest rates : The rate at which interest is paid by a borrower for the use of money.