WESTERN ASSET'S OUTLOOK FOR UNCONSTRAINED BOND INVESTING

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11/20/2015

The WisdomTree Western Asset Unconstrained Bond Fund (UBND), the first unconstrained bond exchange-traded fund (ETF), was launched on June 11, 2015. Recently, we thought it might be instructive to publish a discussion we had with the Fund's portfolio manager, Mark Lindbloom, from Western Asset Management Company (Western Asset). Below, we summarize Western Asset's outlook for global markets for the coming months and ultimately how these views impact the positioning of UBND. At present, the portfolio is over-weight credit risk, under-weight interest rate risk, with select exposures to emerging markets. **Global Macro** U.S. economic data, while somewhat stagnant in recent months, continues to support Western Asset's view of modest growth over the next year (2.0% to 2.5%). As a result of recent data, including an extremely strong payroll number on November 6, Mark believes the process of interest rate normalization is likely to begin in December. However, inflation remains low, implying a very gradual pace of tightening. For this reason, he views the prospect of a sustained rise in long-maturity U.S. bond yields as less likely. Looking forward to 2016, Western Asset estimates three to four rate hikes, depending on the strength of underlying economic data. Globally, the outlook remains uncertain in light of recent developments, particularly in China. As a result of a decline in global commodity prices, select emerging market (EM) countries are experiencing stress. However, Western Asset still believes EM represents value in the medium to long term. Importantly, the European Central Bank (ECB) and Bank of Japan (BOJ) are poised to increase their level of accommodation in the coming months, in Western Asset's view. As a result, it believes that the global outlook for growth may be poised to improve heading into 2016. **Global Credit Conditions** Corporate balance sheets generally remain in good shape, but the strong U.S. dollar is negatively affecting corporate earnings of some large U.S. multinationals. In Europe, Western Asset anticipates that the economy will continue to avoid recession largely due to aggressive action from the ECB. It continues to keep a close eye on geopolitical tensions in various hotspots, such as Ukraine and the Middle East. Looking ahead, Western Asset will continue to determine whether to adjust risk positions by weighing the much-improved valuations, which in certain cases may now be fair, against a still-favorable backdrop of mild economic expansion and accommodative policy. **Portfolio Impact** UBND's portfolio management team expects to remain over-weight to certain spread sectors that have demonstrated strong fundamentals. It is maintaining a significant allocation to investment-grade financials, which currently offer attractive yields while appearing more utility-like in the face of increased regulation. The team also has allocations to the high-yield and bank loan sectors, as it believes these sectors should benefit from the continued economic recovery. On a fundamental value basis, very high implied default rates, which are much higher than realized rates, signal attractive valuations. The spread between EM and developed market yields remains wide, and, in our opinion, presents an opportunity to add value in select countries. View current UBND exposures, here. Also, the portfolio will maintain a tactical duration strategy and will continue to favor a curve-flattened position. Western Asset believes a short position in the intermediate portion of the U.S. yield curve is warranted, as intermediate rates will likely rise the most in response to the normalization of U.S. monetary policy. At the longer end, it is possible that rates could rise by 50-75 basis points (bps) by the end of 2016. Additionally, market volatility has risen sharply, and the risks to a fragile global recovery are not insignificant. Western Asset's focus remains on longer-term fundamentals with diversified strategies to mitigate risk. Ultimately, it sees greater value in nongovernment sectors while maintaining a meaningful position in long-dated Treasuries as an offset against deflation or slower growth. While UBND has only been on the market a few months, our discussions with financial advisors have generally been positive. For many asset allocators, the fact that they know every day exactly what they hold has been a strong differentiator, particularly in light of the volatility that has occurred over this time. While performance will ultimately be driven by Western Asset's views on the markets, we believe an unconstrained approach to investing focused on prudent risk management has the potential to add value as interest rates in the U.S. ultimately rise.

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You cannot invest directly in an index.

DEFINITIONS

Credit risk : The risk that a borrower will not meet their contractual obligations in conjunction with an investment.

Interest rate risk : The risk that an investment's value will decline due to an increase in interest rates.

Inflation : Characterized by rising price levels.

Tighten : a decline in the amount of compensation bond holders require to lend to risky borrowers. When spreads tighten, the market is implying that borrowers pose less risk to lenders.

Long-maturity : a bond that matures in greater than 10 years.

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over tim.

Balance sheet : refers to the cash and cash equivalents part of the Current Assets on a firms balance sheet and cash available for purchasing new position.

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.

Spread sectors : segments of the fixed income market that pay higher yields than government securities of a comparable maturity.

Investment grade : An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.

High Yield : Sometimes referred to as "junk bonds," these securities have a higher risk of default than investment-grade securitie.

Bank loan : A private debt arrangement issued by a financial institution which is senior to other creditors.

Fundamental value : The value of a firm that is related to a company's actual operations and production as opposed to changes in share price.

Default Rates : the frequency in which borrowers fail to fulfill their contractual obligations.

Duration : A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.

Curve-flatten : a relative-value position that benefits if the spread between short and long maturity securities declines.

Short (or Short Position) : The sale of a borrowed security, commodity or currency with the expectation that the asset will fall in value, the opposite of Long (or Long Position).

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.

Monetary policy : Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Basis point : 1/100th of 1 percent.

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

Treasury : Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

Deflation : The opposite of inflation, characterized by falling price levels.