# COMBINING THE INNOVATIVE SIEGEL-WISDOMTREE LONGEVITY MODEL WITH MANAGED FUTURES

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*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.*

Today's market environment presents a strong case for an asset allocation approach beyond the traditional 60/40 allocation.

While interest rates are on the rise recently, they are still at historic lows, forcing investors to lean on equities for yield.

We believe the Siegel-WisdomTree Longevity Model, currently with a 72% allocation to predominantly high-dividend equity ETFs, is in an excellent position to take advantage of today's market environment.

In an inflationary regime, there is a strong case for incorporating alternative asset classes such as commodities to hedge against rising prices. The Siegel-WisdomTree Longevity Model currently includes a 3% allocation to the WisdomTree Enhanced Commodity Strategy Fund (GCC), which provides long-only exposure to a wide variety of commodities. Gold has been a relatively poor inflation hedge this year—this month, we replaced our 3% allocation in a gold ETF with our WisdomTree Managed Futures Strategy Fund (WTMF). There are several reasons why we believe managed futures is an excellent complement to GCC in our alternative basket.

**The Case for Managed Futures in the Siegel-WisdomTree Longevity Model**

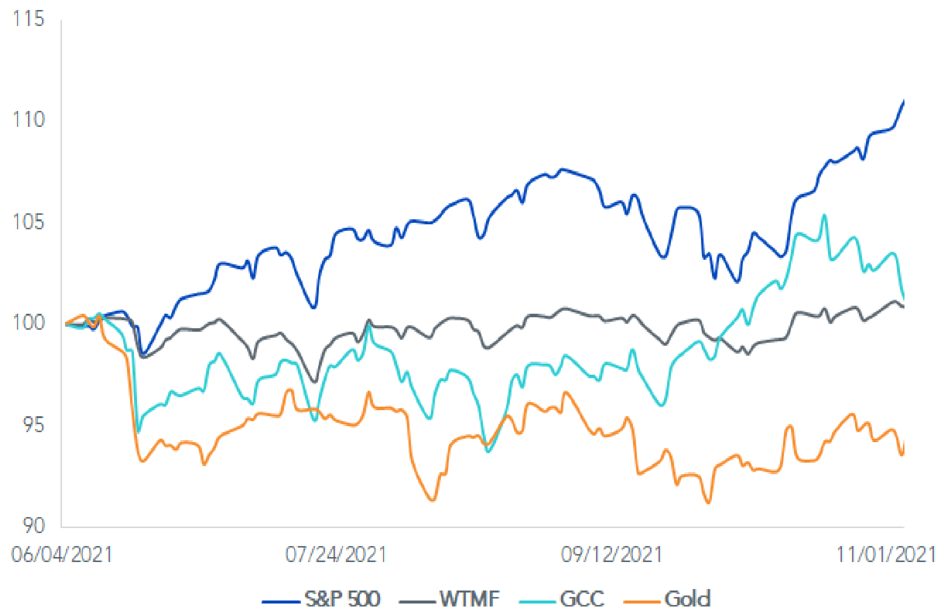
Earlier this year we made significant changes to our managed futures product, aiming to boost risk-adjusted returns. WTMF now provides exposure to a variety of asset classes including commodities, currencies, rates and equities through futures contracts.

A benefit of the wide exposure to various risk factors is reduced beta and correlation to equity markets. Another key feature of a managed futures strategy is the ability to systematically take long or short positions, with the goal of taking advantage of prolonged market trends.

For example, historically, when commodities have trended upward, managed futures have tended to go long commodities. Similarly, when commodities have experienced a sustained pullback, managed futures have historically tended to start taking short positions in commodities. This complements GCC well in instances when commodities may be on the downswing. More broadly, the dynamic long/short nature of WTMF allows it to seek to take advantage of both inflationary and deflationary regimes.

Observing the below graph, we can see why there is a strong case for incorporating WTMF as a volatility dampener. Since being restructured, WTMF has outperformed gold while exhibiting significantly less volatility.

**Growth of $100 Since WTMF Restructure**




Sources: WisdomTree, FactSet, 6/4/21–11/4/21. You cannot invest directly in an index.

**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.**

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.

*Please click each Funds' respective tickers for standardized performance data for the most recent quarter- and month-end data: GCC, WTMF.*

Although it has only been a brief period since the WTMF restructure, we can see various instances when both GCC and gold have pulled back while WTMF has remained relatively stable. We observe that WTMF has had the lowest maximum drawdown following the restructure, which aligns with our view that one of the main purposes of alternatives should be to enhance the risk-adjusted return of a portfolio.

| Max Drawdown Since WTMF Restructure | | | |
|---|---|---|---|
| S&P 500 | WTMF | GCC | Gold |
| 5.1% | 3.1% | 6.7% | 9.1% |

Sources: WisdomTree, FactSet, 6/4/21–11/4/21. Past performance is not indicative of future results. You cannot invest directly in an index.

Following its recent rebalance, we can see that WTMF has systematically positioned itself to resemble an inflation hedge.

| Positioning by Sector | | | | |
|---|---|---|---|---|
| | Long | Short | Net | Outlook |
| Energy | 11.4% | 0.0% | 11.4% | Bullish |
| Industrial Metals | 11.4% | 0.0% | 11.4% | Bullish |
| Livestock | 0.0% | -3.8% | -3.8% | Bearish |
| Grains | 3.8% | 0.0% | 3.8% | Bullish |
| Precious Metals | 0.0% | 0.0% | 0.0% | Neutral |
| Softs | 0.0% | -1.9% | -1.9% | Bearish |
| Currencies | -- | -- | 10.0% | Bearish USD |
| Equities | 40.0% | 0.0% | 40.0% | Bullish |
| Rates | 0.0% | -6.7% | -6.7% | Bearish |

Sources: WisdomTree, 11/4/21. Bullish: Net exposure in the sector/component is long exposure. Bearish: Net exposure in the sector/component is short exposure. Neutral: Net exposure in sector/component is zero.

Not surprisingly, given this year's trends, WTMF has taken a significant long position in commodities, which complements our position in GCC. Since the restructure, WTMF has a correlation of approximately 0.8 with GCC, which is another indication that WTMF and GCC are working together to harvest the uptrend in commodities. WTMF is currently short rates contracts for November and has also taken advantage of equity returns this year.

**Conclusions**

Given the current market, we believe WTMF is an excellent complement to GCC in our Longevity Model's alternative allocation.

This year we've seen that WTMF has exhibited significantly less volatility and downside risk than gold, while providing superior returns. The ability for WTMF to go long or short various asset classes may also help provide protection should a particular asset class enter a downturn.

Overall, we believe the Siegel-WisdomTree Longevity Model Portfolio is in an excellent position to take advantage of the current market environment.

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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.

GCC: There are risks associated with investing including the 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.

WTMF: There are risks associated with investing including the 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, as well as its correlation (or non-correlation) to other asset classes. These factors include use of long and short positions in commodity futures contracts, currency forward contracts, swaps and other derivatives. Derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions. The Fund should not be used as a proxy for taking long only (or short only) positions in commodities or currencies. The Fund could lose significant value during periods when long only indexes rise (or short only) indexes decline. The Fund's investment objective is based on historic price trends. There can be no assurance that such trends will be reflected in future market movements. The Fund generally does not make intra-month adjustments and therefore is subject to substantial losses if the market moves against the Fund's established positions on an intra-month basis. In markets without sustained price trends or markets that quickly reverse or "whipsaw" the Fund may suffer significant losses. The Fund is actively managed thus the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

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**DEFINITIONS**

**60/40 Portfolio** : A portfolio of 60% equities and 40% fixed income.

**Inflation** : Characterized by rising price levels.

**Commodity** : A raw material or primary agricultural product that can be bought and sold.

**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.

**Long/short** : An investing strategy that takes long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

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

**Hedge** : Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a futures contract.

**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.