THE WISDOMTREE PORTFOLIO REVIEW, PART THREE: COLLABORATION MODELS

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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.

We are now on the third and final part of our "mini-series" of blog posts reviewing the 2022 performances of our Model Portfolios. Part one, focused on our strategic models, part two focused on our outcome-focused models and in this final entry in the series we focus on our collaboration models.

First, let's define terms. We use the term "collaboration" as it is defined—"the action of working with someone to produce or create something." We recognize that other people and firms have good ideas and/or good products, and we actively seek to find partners willing to work with us to deliver outstanding solutions.

An active part of our models business is to collaborate with RIAs, wirehouses, IBDs and other platforms to construct and manage customized models that fit those firms' specific investment mandates. As they are customized, we cannot show those models on our Model Adoption Center, but they represent at least 50% of the total AUM in models that we manage, and we welcome that business.

A growing part of that is our Portfolio and Growth Solutions platform. On this platform, we not only help build models with advisors, we then take on the implementation, trading and ongoing rebalancing (including tax management, if desired) of those portfolios on the advisor's behalf, freeing them up to spend more time on revenue-generating activities.

But we do have three publicly available collaboration models we can discuss—the Select models, which we manage in collaboration with PIMCO, the U.S. Growth series, which we developed in coordination with a large RIA and, of course, our flagship collaboration with Professor Jeremy Siegel in the Siegel-WisdomTree Global Equity and Longevity models.

Let's take a look.

Siegel-WisdomTree Model

We have written extensively about these models, most recently in December of last year as we celebrated the three-year anniversary of their launch. So here we just provide a quick reminder of what these models are all about and why we collaborate so closely with Professor Siegel on them.

The investment thesis was to challenge the ability of the traditional 60/40 portfolio to help deliver on what we believe are the four primary objectives of most investors:

- Maintain or enhance current lifestyle by optimizing current income
- Minimize "longevity risk," or the risk of running out of money before you die
- Maximize the potential for leaving a legacy after you die
- Minimize fees and taxes along the way

The Siegel-WisdomTree Longevity model attempts to solve for exactly these issues. Its anchor allocations are 75% stocks and 25% bonds (though we currently have ~6% allocated to commodities and managed futures for diversification purposes), with the equity allocation focused on value-oriented dividend-paying strategies.

The result is a portfolio that we believe, in comparison to a traditional 60/40: 1) generates enhanced current income; 2) has an improved longevity profile because of the heavier allocation to stocks; and 3) has only a slightly higher standard deviation (i.e., short-term volatility profile) than the traditional 60/40.

2022 saw this model underperform its benchmarks, where we use the MSCI ACWI Value Index as the equity benchmark. Value so dominated market performance in 2022 that any allocation away from that detracted from performance versus that benchmark

More specifically, in our case, although we definitely are value-tilted within these portfolios (in alignment with Professor Siegel's philosophies and our own), we also overlay a distinct quality filter, and this did not help us. But, as we've said many times before, we will never apologize for having a quality tilt within our portfolios.

Since inception three years ago, however, these portfolios have comfortably outperformed their benchmarks. In the case of the Longevity model, this includes both a 75/25 benchmark and the more traditional 60/40 benchmark.

Siegel-WisdomTree Longevity Model

4.16%	0.28%	11/30/2019	71%	23%	6%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Equity	Fixed Income	Alternative

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Siegel-WisdomTree Longevity Model (NAV)	-2.76%	9.23%	-10.24%	-10.24%	2.64%	-	-	3.45%
Siegel-WisdomTree Longevity Model (MP)	-3.06%	9.41%	-10.23%	-10.23%	2.63%	-	-	3.41%
75% MSCI ACWI Value - 25% Bloomberg U.S. Aggregate Bond Index	-1.88%	11.11%	-8.76%	-8.76%	2.12%	-	-	2.92%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	-1.60%	9.25%	-9.54%	-9.54%	1.31%	-	-	1.95%

Siegel-WisdomTree Global Equity Model

3.49% Model 12-Month Dividend Yield (As of 12/31/2022)	0.30% Model Expense Ratio	11/30/2019 Inception date	100% Equity

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Siegel-WisdomTree Global Equity Model (NAV)	-3.02%	12.64%	-9.86%	-9.86%	4.09%	-	-	5.10%
Siegel-WisdomTree Global Equity Model (MP)	-3.49%	12.79%	-9.88%	-9.88%	4.07%	-	-	5.06%
MSCI ACWI Value	-2.36%	14.21%	-7.55%	-7.55%	3.30%	-	-	4.37%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

The Model Portfolio performance results shown are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment. Thus, the performance shown does not reflect the impact that economic and market factors had or might have had on decision-making if actual investor money had been managed and allocated per the Model Portfolio. The actual performance achieved in seeking to follow the Model Portfolio may differ from the theoretical performance shown for a number of reasons, including the timing of implementation of trades (including rebalancing trades to adjust to Model Portfolio changes), market conditions, fees and expenses (e.g., brokerage commissions, deduction of advisory or other fees or expenses charged by advisors or other third parties to investors, strategist fees and/or platform fees), contributions, withdrawals, account restrictions, tax consequences and/or other factors, any or all of which may lower returns. While the Model Portfolio performance may have been better than the benchmark for some or all periods shown, the performance during any other period may not have been, and there is no assurance that the Model Portfolio performance will be better than the benchmark in the future. The Model Portfolio performance calculations assume reinvestment of dividends, are pre-tax and are net of Fund expenses.

ETF shares are bought and sold at market price (not NAV) and are not individually redeemable 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. Model 12-month yield is calculated using the weighted average trailing 12-month distribution yields of the Fund constituents. Funds incepted less than 12 months ago do not have a trailing 12-month dividend yield. Model expense ratio refers to the weighted average expense ratios of the Fund constituents.

For underlying Fund performance, including standardized performance and 30-day SEC yield, please click here. Month-end performance can be found at wisdomtree.com/etfs.

Select Models (with PIMCO)

These are multi-asset portfolios that we manage in coordination with PIMCO. All the equity allocations are WisdomTree products, while all the fixed income products are from PIMCO, a market leader in fixed income asset management.

WisdomTree is the "lead" portfolio manager, but our CIO of Fixed Income works closely with PIMCO to ensure that our outlooks and allocations remain aligned.

2022 saw these portfolios underperform their benchmarks due primarily to our allocations to emerging markets, international small caps and long-duration zero-coupon Treasuries. Since inception in December 2013, however, these models have consistently outperformed. Here we use the "moderate" (60/40) model as an example.

WisdomTree Select Moderate Portfolio (including PIMCO ETFs)

3.04%	0.38%	12/18/2013	60% | 40%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Equity | Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Select Moderate Model Portfolio (including PIMCO ETFs) (NAV)	-1.96%	7.65%	-11.68%	-11.68%	2.08%	3.09%	-	4.95%
WisdomTree Select Moderate Model Portfolio (including PIMCO ETFs) (MP)	-2.35%	7.83%	-11.67%	-11.67%	2.06%	3.05%	-	4.87%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	-1.60%	9.25%	-9.54%	-9.54%	1.31%	2.45%	-	3.67%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

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ETF shares are bought and sold at market price (not NAV) and are not individually redeemable 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. Model 12-month yield is calculated using the weighted average trailing 12-month distribution yields of the Fund constituents. Funds incepted less than 12 months ago do not have a trailing 12-month dividend yield. Model expense ratio refers to the weighted average expense ratios of the Fund constituents.

For underlying Fund performance, including standardized performance and 30-day SEC yield, please click here. Month-end performance can be found at wisdomtree.com/etfs.

U.S. Growth Model

These models were developed in coordination with a large RIA that liked our approach to asset allocation and risk factor diversification but wanted a U.S.-only model to deploy with their client base. We were happy to help.

Although this is a customized model, it is available to other advisors on different platforms, so we are able to show performance and portfolio specifics.

The thesis behind these models, on the equity side, is similar to that of our U.S. multifactor model, which is then combined with a variation of our fixed income model and offered at different risk bands (conservative, moderate, aggressive, etc.).

As we discussed in the two previous blog posts, both our fixed income model and our U.S. multifactor model enjoyed outstanding performances in 2022 relative to their underlying benchmarks. Intuitively, then, you would think that these growth models performed equally as well—and you would be correct.

Using the "moderate" (60/40) model as an example, we see significant outperformance versus its underlying benchmarks. We enjoyed similar outperformance levels in the other risk bands.

WisdomTree U.S. Moderate Growth Model Portfolio

2.33% Model 12-Month Dividend Yield (As of 12/31/2022) | **0.20%** Model Expense Ratio | **10/31/2019** Inception date | **60%** Equity | **40%** Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree U.S. Moderate Growth Model Portfolio (NAV)	-3.48%	6.71%	-12.34%	-12.34%	2.75%	-	-	3.69%
WisdomTree U.S. Moderate Growth Model Portfolio (MP)	-3.41%	6.75%	-12.32%	-12.32%	2.75%	-	-	3.69%
60% Russell 3000 Index - 40% Bloomberg U.S. Aggregate Bond Index	-3.69%	5.17%	-16.46%	-16.46%	3.52%	-	-	4.61%
60% MSCI US Diversified Multi-Factor Index - 40% Bloomberg U.S. Aggregate Bond Index	-3.82%	6.34%	-14.43%	-14.43%	2.37%	-	-	3.28%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

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Conclusion

As we saw in our strategic and outcome-focused models, our collaboration models performed as expected in 2022 and delivered on their mandates. If we are correct that we are in the "early innings" of a value, dividend, quality and size rotation in the global markets, we have an excellent foundation to build from as we move through 2023.

This brings us to the end of our portfolio review "mini-series." Financial advisors can learn more about these models and how to position them successfully with end clients at our **Model Adoption Center**.

Important Risks Related to this Article

For Financial Advisors: 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.

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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.

Related Blogs

+ The WisdomTree Portfolio Review, Part One: Strategic Models

+ The WisdomTree Portfolio Review, Part Two: Outcome-Focused Models

View the online version of this article here.

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DEFINITIONS

Registered Investment Advisor (RIA) : A firm that advises clients on securities investments and may manage their investment portfolios. RIAs are registered with either the U.S. Securities and Exchange Commission (SEC) or state securities administrators.

Investment Banking Division (IBD) : IBD is an acronym for the Investment Banking Division within the overall investment bank. IBD has responsibility for working with corporations, institutions, and governments to carry out capital raising (underwriting in equity, debt, and hybrid markets) as well as for executing mergers and acquisitions and various types of advisory mandates.

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.

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

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

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

MSCI ACWI Value Index : A free-float adjusted market capitalization-weighted index that is designed to measure securities exhibiting overall value style characteristics of developed and emerging markets.

Quality : Characterized by higher efficiency and profitability. Typical measures include earnings, return on equity, return on assets, operating profitability as well as others. This term is also related to the Quality Factor, which associates these stock characteristics with excess returns vs the market over tim.

Fixed income : An investment security that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity.