6 investment themes for your portfolio in 2024

Published 26 October 2023

Pierre Debru
Head of Research, WisdomTree Europe.

In 2023, central bankers have continued to dictate markets' moods. However, the US economy has been very resilient, thanks largely to consumer strength. Growth and tech stocks have benefitted from the excitement around generative artificial intelligence (AI) and inflation has been trending down around the world. These all set the scene for a strong H1 2023 equity rally, albeit a narrow one. Looking to the rest of the year, the International Monetary Fund and World Bank have upgraded their economic outlooks for 2023, but growth expectations remain downbeat for the next few years. The latent effects of the unprecedented rise in interest rates in developed countries should also start to appear, leading to increased uncertainty.

However, with uncertainties come opportunities. In our recently published Investment Outlook, we have provided insights across different asset classes which has allowed us to identify 6 investment themes and potential opportunities for the last few months of the year and beyond.

US equities are the belle of the ball
The first half of the year saw one of the narrowest rallies in history with only 25%1 of US stocks outperforming the S&P 500. As the market regime transitions, it should provide a ripe opportunity for market breadth to improve. Markets may begin to favour value, dividend-paying and dividend-growing stocks. Despite the risk still ahead, and rates 'higher for longer', the US equity markets are still better positioned than other regions with the US' service-based economy, consumer strength, and large fiscal stimulus.

In such a context, the WisdomTree US Quality Dividend Growth UCITS ETF could provide an interesting solution for investors looking to invest in the US. The exchange-traded fund's (ETF's) portfolio is constructed around dividend-paying companies with the best-combined rank of earnings growth, return on equity and return on assets within an ESG-filtered universe of companies with sustainable dividend policies. Stocks are also risk-tested using a proprietary risk screen (Composite Risk Score), which uses Quality and Momentum metrics to rank companies and screen out the riskiest companies and potential value traps. Each company is then weighted based on its cash dividend paid (market capitalisation x dividend yield), which introduces valuation discipline in this high-quality portfolio. Those steps, in combination, deliver an all-weather strategy that can be used as a strategic holding to weather market volatility.

'There is no alternative to equities' in Japan
Japan has emerged from the COVID-19 lockdowns with a faster pace of growth and higher inflation. A combination of higher equity risk premiums, a weaker yen (supportive of the Japanese export market),

corporate reforms, and attractive valuations have been important catalysts for equities. Japan's nominal growth trend is expected to remain above 2% over the medium term, following the near 5% surge in 20232. The Tokyo Stock Exchange's (TSE) recent corporate policy announcements are likely to pressure Japanese corporates to funnel excess cash reserves into higher payout ratios. Furthermore, recent earning revisions have been very positive in Japan, well ahead of other regions.

With a portfolio tilted toward exporters, the WisdomTree Japan Equity UCITS ETF, by using hedged share classes, offers an interesting opportunity to invest in that market and reap the benefits of not only a weaker yen but also the corporate governance reforms. The WisdomTree Japan Equity UCITS ETF enables investors to gain a broad-based exposure to dividend-paying, export-oriented companies that meet WisdomTree's environmental, social and governance (ESG) criteria. Export-oriented companies are defined as those companies that derive at least 80% of their revenue from countries outside Japan.

Turn in the economic cycle, cyclical recovery

Many indicators point to the global economy being deep into a recovery phase. Equities have already benefitted from a strong rally this year but commodities, as a late-cycle performer, have yet to turn decisively.

In that context, investors could benefit from a smart exposure to broad commodities with the WisdomTree Broad Commodities UCITS ETF or the WisdomTree Enhanced Commodity UCITS ETF depending on their risk budget. The WisdomTree Broad Commodities UCITS ETF closely tracks the benchmark Bloomberg Commodity Index (BCOM) but, unlike other BCOM-trackers, it uses an innovative replication method which includes direct exposure to spot prices for the precious metals portion of the index rather than synthetic. The WisdomTree Enhanced Commodity UCITS ETF is a core commodity alternative to the Bloomberg Commodity Index (BCOM). It invests in the same commodities and rebalances yearly to the same weights as the BCOM but seeks to systematically enhance the risk return profile by using the shape of individual commodity futures curves to optimise returns.

Greenflation

With the Ukraine War and the subsequent energy crisis of 2022, finding energy solutions that are both sustainable and geopolitically secure is becoming the next paramount objective for countries around the world. This 'green arms race' is evident in the avalanche of green fiscal packages, including the Inflation Reduction Act and REPowerEU. The energy transition will demand a huge amount of raw materials like copper or lithium and so there is the potential for 'greenflation', that is, the rise in the cost of commodities tied to the energy transition.

WisdomTree provides two innovative solutions to invest in this theme via two commodity basket ETFs, focused on metals that are key to the energy transition: WisdomTree Battery Metals and WisdomTree Energy Transition Metals. Both exchange-traded products (ETPs) possess two features unique to the European markets:

- The baskets invest in both lithium and cobalt future contracts, that is, the metal itself and not miners.

- The weights of the metals are reviewed by Wood Mackenzie (a global research house for renewables, energy transition and natural resources), based on proprietary models tied to the evolution of the energy transition.
- WisdomTree Artificial Intelligence UCITS ETF, created in partnership with the Consumer Technology Association, the trade association representing the $505 billion US consumer technology industry and organiser of the Consumer Electronics Show (CES) in Las Vegas.
- WisdomTree Cloud Computing UCITS ETF, created in partnership with Bessemer Venture Partners (BVP), a leading venture capital firm in the industry.
- WisdomTree Cybersecurity UCITS ETF, created in partnership with Team8, a venture group whose leadership team includes unicorn founders, bank and fintech CEOs, and former leaders of Unit 8200, Israel's elite military technology and intelligence agency.

The large-cap crypto season is upon us

With the filing of spot Bitcoin ETF in the US by large asset managers, including historically sceptical ones like BlackRock, market sentiment has definitively turned for crypto. This year the large cap crypto assets (Bitcoin and Ethereum) have performed very strongly. We also observe that the sequence of events needed for another bull run in crypto are appearing:

- integration with traditional payment processors
- blockchain scalability
- better user interfaces all moving forward quickly

Also, the Ethereum network successfully transitioning to proof-of-stake and delivering staking yield provided another incentive for institutional investors to move into the space.

Investors could gain exposure to the 2 crypto giants through WisdomTree's physically backed ETPs, offering world-class security and competitive cost of ownership:

- WisdomTree Physical Bitcoin
- WisdomTree Physical Ethereum

Visit our website for the full Investment Outlook and related products.

1 WisdomTree, Bloomberg. 30 December 2022 to 31 July 2023.

2 International Monetary Fund, October 2023.

Related blogs

+ Commodity outlook: late cycle performer stepping into gear

+ How artificial intelligence can fuel growth across megatrends

+ Crypto outlook: new flows needed to mark the end of the crypto winter

+ Equity outlook soft landing calls for tough choices

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be aected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and aer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an oer for sale nor a solicitation of an oer to buy any product or make any investment.

An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public oering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any ailiate, nor any of their respective oicers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could dier materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer X Limited The products discussed in this document are issued by WisdomTree Issuer X Limited (the “Issuer”). Investors should read the prospectus of the Issuer before investing and should refer to the section of the prospectus entitled “Risk Factors” for further details of risks associated with an investment in the securities oered by the Issuer.

Securities issued by the Issuer are direct, limited recourse obligations of the Issuer alone and are not obligations of or guaranteed by any of Swissquote Bank Ltd (“Swissquote”), Coinbase Custody Trust Company LLC (“Coinbase”), any of their ailiates or anyone else or any of their ailiates. Each of Swissquote and Coinbase disclaims all and any liability whether arising in tort, contract or otherwise which it might have in respect of this document or its contents otherwise arising in connection herewith.

The product discussed in this document is an unregulated ETP, approved to trade on the SIX Swiss Exchange in Switzerland, Euronext Paris, Euronext Amsterdam and the Deutsche Börse Xetra in Germany. Cryptocurrencies are a high-risk investment and may not be suitable for all types of investor. Prospective investors should be aware that the price of the underlying asset(s) by which the securities are secured can demonstrate higher volatility than other asset classes and consequently the value of the securities may be extremely volatile. You must ensure that the nature, complexity and risks associated with cryptocurrencies are suitable for your objectives in light of your circumstances and financial position.

WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund. Investors should read the prospectus of WT Issuer (“WT Prospectus”) before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares.

WisdomTree Enhanced Commodity UCITS ETF The methodology of and rules governing the index (the "Index Methodology" and the "Index") are proprietary and shall not be reproduced or disseminated without the prior written consent of the “Index Sponsor” (as defined in the “Index Rules” **available on http: //www.wisdomtree.eu/home**). None of the Index Sponsor, the index calculation agent (where such party is not also the Index Sponsor, the "Index Calculation Agent") nor, where applicable, the index Investment Advisor (the "Index Investment Advisor") guarantee that there will be no errors or omissions in computing or disseminating the Index. The Index Methodology is based on certain assumptions, certain pricing models and calculation methods adopted by the Index Sponsor, the Index Calculation Agent and, where applicable, the Index Investment Advisor, and may have certain inherent limitations. Information prepared on the basis of dierent models, calculation methods or assumptions may yield dierent results. You have no authority to use or reproduce the Index Methodology in any way, and neither the Index Sponsor nor any of its ailiates shall be liable for any loss whatsoever, whether arising directly or indirectly from the use of the Index or Index Methodology or otherwise in connection therewith. The Index Sponsor reserves the right to amend or adjust the Index Methodology from time to time in accordance with the rules governing the Index and accepts no liability for any such amendment or adjustment. Neither the Index Sponsor nor the Index Calculation Agent are under any obligation to continue the calculation, publication or dissemination of the Index and accept no liability for any suspension or interruption in the calculation thereof which is made in accordance with the rules governing the Index. None of the Index Sponsor, the Index Calculation Agent nor, where applicable, the Index Investment Advisor accept any liability in connection with the publication or use of the level of the Index at any given time. The Index Methodology embeds certain costs in the strategy which cover amongst other things, friction, replication and repo costs in running the Index. The levels of such costs (if any) may vary over time in accordance with market conditions as determined by the Index Sponsor acting in a commercially reasonable manner. The Index Sponsor and its ailiates may enter into derivative transactions or issue financial instruments (together, the "Products") linked to the Index. The Products are not in any way sponsored, endorsed, sold or promoted by the sponsor of any index component (or part thereof) which may comprise the Index (each a "Reference Index") that is not ailiated with BNP Paribas (each such sponsor, a "Reference Index Sponsor"). The Reference Index Sponsors make no representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the relevant Reference Index and/or the levels at which the relevant Reference Index stands at any particular time on any particular date or otherwise.

No Reference Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the relevant Reference Index and the relevant Reference Index Sponsor is under no obligation to advise any person of any error therein. None of the Reference Index Sponsors makes any representation whatsoever, whether express or implied, as to the

advisability of purchasing or assuming any risk in connection with the Products. The Index Sponsor and its ailiates have no rights against or recourse to any Reference Index Sponsor should any Reference Index not be published or for any errors in the calculation thereof or on any other basis whatsoever in relation to any Reference Index, its production, or the level or constituents thereof. The Index Sponsor and its ailiates shall have no liability to any party for any act or failure to act by any Reference Index Sponsor in connection with the calculation, adjustment or maintenance of the relevant Reference Index and have no ailiation with or control over any Reference Index or the relevant Reference Index Sponsor or the computation, composition or dissemination of any Reference Index. Although the Index Calculation Agent will obtain information concerning each Reference Index from publicly available sources that it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Index Sponsor or any of its ailiates nor the Index Calculation Agent as to the accuracy, completeness and timeliness of information concerning any Reference Index. The Index Sponsor and/or its ailiates may act in a number of dierent capacities in relation to the Index and/or products linked to the Index, which may include, but not be limited to, acting as market-maker, hedging counterparty, issuer of components of the Index, Index Sponsor and/or Index Calculation Agent. Such activities could result in potential conflicts of interest that could influence the price or value of a Product.

WisdomTree Artificial Intelligence UCITS ETF Nasdaq® and the Nasdaq CTA Artificial intelligence Index are registered trademarks of Nasdaq, Inc. (which with its ailiates is referred to as the “Corporations”) and are licensed for use by WisdomTree Management Limited. The WisdomTree Artificial Intelligence UCITS ETF (the “Fund”) has not been passed on by the Corporations as to its legality or suitability. Shares in the Fund are not issued, endorsed, sold, or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE FUND.

WisdomTree Broad Commodities UCITS ETF “Bloomberg®” and the Bloomberg Commodity Index(es)SM referenced herein are service marks of Bloomberg Finance L.P. and its ailiates, including Bloomberg Index Services Limited (“BISL”), the administrator of the indices (collectively, “Bloomberg”) and have been licensed for use for certain purposes by WisdomTree UK Limited and its permitted ailiates including WisdomTree Management Limited and WisdomTree Issuer ICAV (together, WisdomTree). Bloomberg is not ailiated with WisdomTree, and Bloomberg does not approve, endorse, review, or recommend the WisdomTree Broad Commodities UCITS ETF. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the index(es).

WisdomTree Cloud Computing UCITS ETF Nasdaq® is a registered trademark of Nasdaq, Inc. (which with its ailiates is referred to as the “Corporations”) and is licensed for use by WisdomTree Management Limited. The WisdomTree Cloud Computing UCITS ETF (the “Fund”) has not been passed on by the Corporations as to its legality or suitability. Shares in the Fund are not issued, endorsed, sold, or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE FUND. The information set forth in the BVP Nasdaq Emerging Cloud Index is provided for informational and discussion purposes only and is not intended to be, and shall not be regarded or construed as, a recommendation for a transaction or investment or financial, tax, investment or other advice of any kind by Bessemer Venture Partners (“BVP”). BVP makes no warranty or representation regarding any such information or the data presented in such materials. BVP and/or pooled investment vehicles which it manages, and individuals and entities ailiated with such vehicles, may purchase, sell or hold securities of (a) issuers that are constituents of the BVP Nasdaq Emerging Cloud Index or (b) the

Fund itself from time to time and at any time, including in advance of or following an issuer being added to or removed from the BVP Nasdaq Emerging Cloud Index.

WisdomTree Multi Asset Issuer PLC WisdomTree Multi Asset Issuer PLC (the “Issuer”) issues products under a Prospectus (“WTMA Prospectus”) approved by the Central Bank of Ireland, drawn up in accordance with the Directive 2003/71/EC. The WTMA Prospectus has been passported to various European jurisdictions including the UK, Italy and Germany and is available on this document.

Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein. The prospectus and the key investor information documents (KIID) are available from WisdomTree¼s website **https:** //www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in Malta: This document does not constitute or form part of any oer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.