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WisdomTree Study Reveals Investors View Model Portfolios as More Sophisticated Approach to Asset Allocation, Yet Adoption Remains Low

Majority of investors welcome model portfolio usage in their portfolios and identify advisor as critical part of their financial success

New York, NY – (GlobeNewswire) – June 23, 2020 – WisdomTree (NASDAQ: WETF), an exchange-traded fund ("ETF") and exchange-traded product ("ETP") sponsor and asset manager, today released a first of its kind study on the practice management and adoption of third-party model portfolios. The extensive and unique research conducted by WisdomTree found that 86% of investors were open to using model portfolios when communicated properly by their financial advisor, however 65% had a different understanding of their use than reality.

Perception of model portfolios among investors overwhelmingly positive

- The study found that 56% of investors expect that the model concept will have a positive impact on their portfolio
- 63% believe an advisor would be applying a more sophisticated approach to their asset allocation that is backed by extensive research and technology
- 90% of Millennials and 87% of Gen X were extremely accepting of their advisors if they used a 'preset investment model portfolio' with their funds

"In our research, we identified various reasons why investors might not use models and it's quite surprising what we uncovered – and a major missed opportunity for advisors," said Brad Shepard, Head of Advisor Innovation at WisdomTree. "The variances between what investors believe versus reality are astounding, and it appears that the benefits and value of models are not being positioned properly by the advisor."

Investors find comfort in knowing they will have the collective expertise of an asset management firm's analysts, strategists and PhDs.

According to the study, close to half of investors see the use of models as an updated approach that provides extensive research applied to their portfolio through the advisor. Further, when asked about the most important benefit of using model portfolios, investors cited incorporating a full asset manager team's research to their portfolio that is facilitated through their advisor (41%):

- 63% of investors believe that advisors who use third-party models are providing a more sophisticated asset allocation approach that is backed by the extensive research and technology of an asset manager's team
- 60% of investors believe that using models will have a more positive impact on their overall portfolio
- 58% of investors are extremely likely to switch to an advisor who uses model portfolios

While some investors may be prone to changing advisors in the next two years, the influence of model use can be a positive to capture that potential new client.

"WisdomTree is committed to innovation in the advisor solutions space and with the proliferation of model portfolios over the last five years, we believe we've completed the most in-depth research study of its kind to help advisors understand investors' perceptions of models – which will ultimately help them growth their business," said Jarrett Lilien, President and COO at WisdomTree. "We're particularly excited about how the data we produced will shape the industry going forward and increase adoption of third-party model portfolios."

Investors view each applied model portfolio as a tailored response to their unique investment goals

- More than 90% of investors see the advisor as a critical part of their financial success and third-party models can help position them as the quarterback of the relationship
- 58% of investors would switch advisors if they properly promoted a models-based practice
- 86% of investors welcome model portfolios and nearly half of investors believe their advisor is already using one

Investors believe that with the use of model portfolios, the advisor is applying the appropriate technical approach by accessing valuable research and data from asset managers and combining it with their intimate knowledge of the client's specific needs.

About the Research

A hybrid approach was applied to the research including quantitative and qualitative methods. The research was conducted with Investors and Financial Advisors. The robust Investor quantitative work was fielded in January 2020 with a 2.3% margin of error and relaunched in March of 2020 (post-volatility). Both phases were fielded among over 2000 high net worth, multi-generational targets.

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Investors and their advisors should consider the investment objectives, risks, charges and expenses of the funds included in any model portfolio carefully before investing. This and other information can be obtained in the fund's prospectus by visiting www.wisdomtree.com for WisdomTree Funds. Please read the prospectus carefully before you invest in a fund. WisdomTree Asset Management Inc. does not endorse and is not responsible for or liable for any content or other materials made available by other ETF sponsors.

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Contact Information:
Media Relations
WisdomTree Investments, Inc.
Jessica Zaloom / Amie Lauder
+1.917.267.3735 / +1.416.459.6835
jzaloom@wisdomtree.com / alauder@wisdomtree.com