Changes to the Bloomberg Dollar Total Return Index: An Easier Route to the Same Exposure

The recently announced changes to the Bloomberg Dollar Total Return Index will have little if any impact on the management of the WisdomTree Dollar Bullish Strategy when they are incorporated at the end of the week. Essentially, the changes bring the index much closer in line with the management approach of the fund dating back to its inception.

What are the similarities and differences between the existing index and the new index?

**The core methodology and objective of the index remains unchanged.** The Index is still structured to potentially benefit as the U.S. dollar appreciates relative to a basket of global currencies. The Index tracks a long position in the U.S. dollar measured against a basket of developed and emerging market currencies which (i) have the highest liquidity in the currency markets and (ii) represent countries that make the largest contribution to trade flows with the United States. The Index also incorporates levels and differences in short-term interest rates between the U.S. and the countries represented by the foreign currencies. The Net Asset Value will stick be struck using 4pm NY valuations from Bloomberg.

Currency selection and target weights will still be done on an annual basis, with the same methodology being used to isolate the top countries / currencies that influence trading activity with the US and foreign exchange liquidity.

**The primary change is one of implementation. The Total Return Index will now utilize 1-month currency forwards + a USD cash investment instead of tracking daily spot currency changes + a calculated interest rate component.** While the currency weights will now drift slightly over the month instead of being reset daily, the changes make the index more closely aligned with the approach that we take in implementing the strategy.

The USD funding rate was also changed to the 4-week Treasury Bill rate to align with the revised holding period (1 month).

<table>
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<th>Change</th>
<th>New Index</th>
<th>Existing Index</th>
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<tr>
<td>Currency Instrument</td>
<td>Basket of 1-month Currency Forwards</td>
<td>Currency basket of spot currencies</td>
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<td>Rebalance Methodology</td>
<td>Monthly roll and reset to target weights</td>
<td>Daily reset to target weights</td>
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<td>Interest Rate Instrument</td>
<td>4-week Treasury Bill represents performance of the USD cash return.</td>
<td>Fed Funds was used to proxy USD Cash Return; the Implied 1m yield was used for each foreign rate.</td>
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Remember that the differential between U.S. and foreign rates is already embedded in the pricing of currency forwards, negating the need to augment the spot currency change with an elaborate interest rate calculation as the existing index does.

In aggregate the changes will make the index more investable and track more closely with our existing investment approach. The index name (the Bloomberg Dollar Total Return Index) and ticker (BBDXT Index) remain the same once the new methodology goes into effect at the close of Friday. Bloomberg is developing more elaborate pages to detail and monitor the Total Return Index each day. We will provide more information on the pages as they become available.
Glossary

**Bloomberg Dollar Total Return Index**: Seeks to provide exposure to the U.S. dollar against a broad basket of developed and emerging market currencies based on global trade flows and liquidity measures.

**Treasury Bill (T-Bill)**: A short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less.

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