

WisdomTree Research

Investment Grade Indexes Rebalance

[August 2023]

WisdomTree U.S. Corporate Bond Index (WFCIG) and U.S. Short-term Corporate Bond Index (WFCIGS)

WisdomTree U.S. Corporate Bond Indexes are structured to screen the available universe of investment-grade corporate bonds for sufficient liquidity and fundamentals, and then tilt toward those bonds with attractive income and valuation characteristics.

On August 31, 2023, the WisdomTree U.S. Corporate Bond Index (“WFCIG”) and the WisdomTree U.S. Short-term Corporate Bond Index (“WFCIGS”) rebalanced in accordance with their [Index methodologies](#). Respectively, the Indexes serve as the underlying benchmarks for the WisdomTree U.S. Corporate Bond Fund (“WFIG”) and the WisdomTree U.S. Short-Term Corporate Bond Fund (“SFIG”). The funds seek to track the price and yield performance, before fees and expenses of their respective Indexes. The next quarterly rebalance for both Indexes is scheduled for November 2023.

KEY REBALANCE HIGHLIGHTS

- With the August 2023 rebalance, the yield for WFCIG increased by 1 basis points(bps), while yield for WFCIGS decreased by 1bps. Duration for WFCIG increased 0.03 years while duration for WFCIGS increased by 0.16.
- The largest changes in sector exposure for WFCIG were 1.9% increase in Financials and 1.7% decrease in Technology. The largest changes in sector exposure for WFCIGS were 3.5% increase in Financials and 1.3% decrease in Energy.
- During the rebalance, WFCIG and WFCIGS selected companies in each sector that have better cash flow, employ lower leverage¹, and are more profitable.

Both indexes produced comparable yield and duration to their market cap benchmarks (BofA Merrill Lynch U.S. Corporate Index and BofA Merrill Lynch 1-5 Year U.S. Corporate Index).

INDICATIVE INDEX STATS

Post-rebalance, the yield for WFCIG increased 1 bps and its duration increased 0.03 years. The yield for WFCIGS decreased 1 bps and its duration increased 0.16 to 2.63 years.

INDEX STATISTICS	Estimated Index		Current Index		Benchmark	
	WFCIG	WFCIGS	WFCIG	WFCIGS	C0A0	CVA0
Yield to Worst	5.68%	5.63%	5.67%	5.64%	5.67%	5.68%
Duration	6.44	2.63	6.41	2.47	6.70	2.58
Minimum Par Size (\$Mil)	350	350	350	350	250	250
Issuer Cap	5%	5%	5%	5%	-	-
# of Bonds	4,486	1,504	4,433	1,461	10,075	3,817

Sources: WisdomTree, Bloomberg, Merrill Lynch, with data as of 08/31/2023. C0A0: BofA Merrill Lynch U.S. Corporate Index, which tracks the performance of U.S. dollar denominated investment grade corporate debt securities issued in the U.S. CVA0: BofA Merrill Lynch 1-5 Year U.S. Corporate Index, which represents the subset of C0A0 with remaining term to final maturity of less than 5 years. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index.

¹Total assets divided by equity. Higher numbers indicate greater borrowing to finance asset purchases; leverage can tend to make positive performance more positive and negative performance more negative.

INDEX SECTOR BREAKDOWNS

WisdomTree's investment-grade corporate bond Indexes experienced few changes in sector weights after rebalancing. Both indexes saw decreases in exposure to Technology, and increase in exposure to Financials. Within WFCIG, the largest changes in exposure were a 1.9% increase in Financials and a 1.7% decrease in Technology. Within WFCIGS, the largest changes in exposure were a 3.5% increase in Financials, 0.9% increase in Industrials and a 1.3% decrease in Energy.

Most Significant Sector Changes After Rebalance

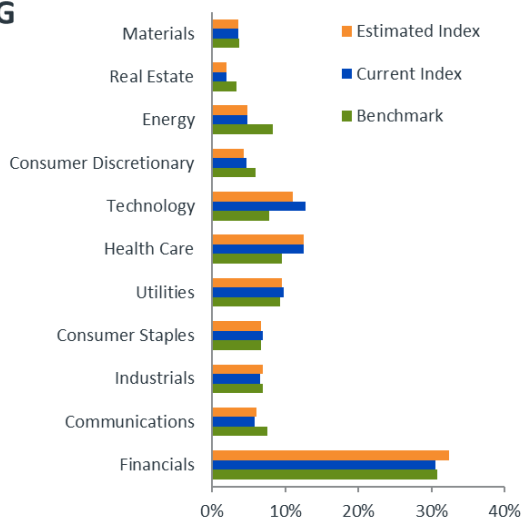
WFCIG			WFCIGS		
Top 3 Exposure Increases			Top 3 Exposure Increases		
1	Financials	1.9%	1	Financials	3.5%
2	Industrials	0.4%	2	Industrials	0.9%
3	Communications	0.2%	3	Communications	0.3%
Top 3 Exposure Reductions			Top 3 Exposure Reductions		
1	Technology	-1.7%	1	Energy	-1.3%
2	Consumer Discretionary	-0.4%	2	Technology	-1.0%
3	Utilities	-0.3%	3	Consumer Discretionary	-0.9%

Sources: WisdomTree, Bloomberg, with data as of 08/31/2023. You cannot invest directly in an index. Exposures subject to change.

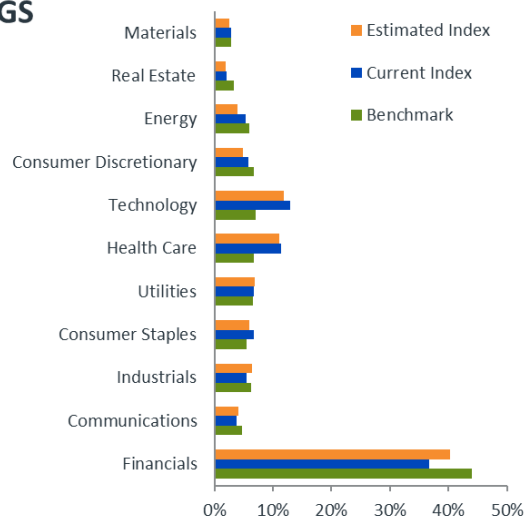
Compared to the market cap benchmark, WFCIG is under-weight Energy (-3.5%) and Consumer Discretionary (-1.7%), and over-weight Technology (+3.3%) and Health Care (+2.9%). WFCIGS is under-weight Energy (-1.9%) and Financials (-3.7%), and over-weight Health Care (+4.3%) and Technology (+4.9%).

Sector Breakdown Comparisons, Before and After Rebalance

WFCIG



WFCIGS



Sources: WisdomTree, Bloomberg, Merrill Lynch, with data as of 08/31/2023. You cannot invest directly in an index. Exposures subject to change. The WFCIG benchmark is represented by C0A0. The WFCIGS benchmark is represented by CVA0.

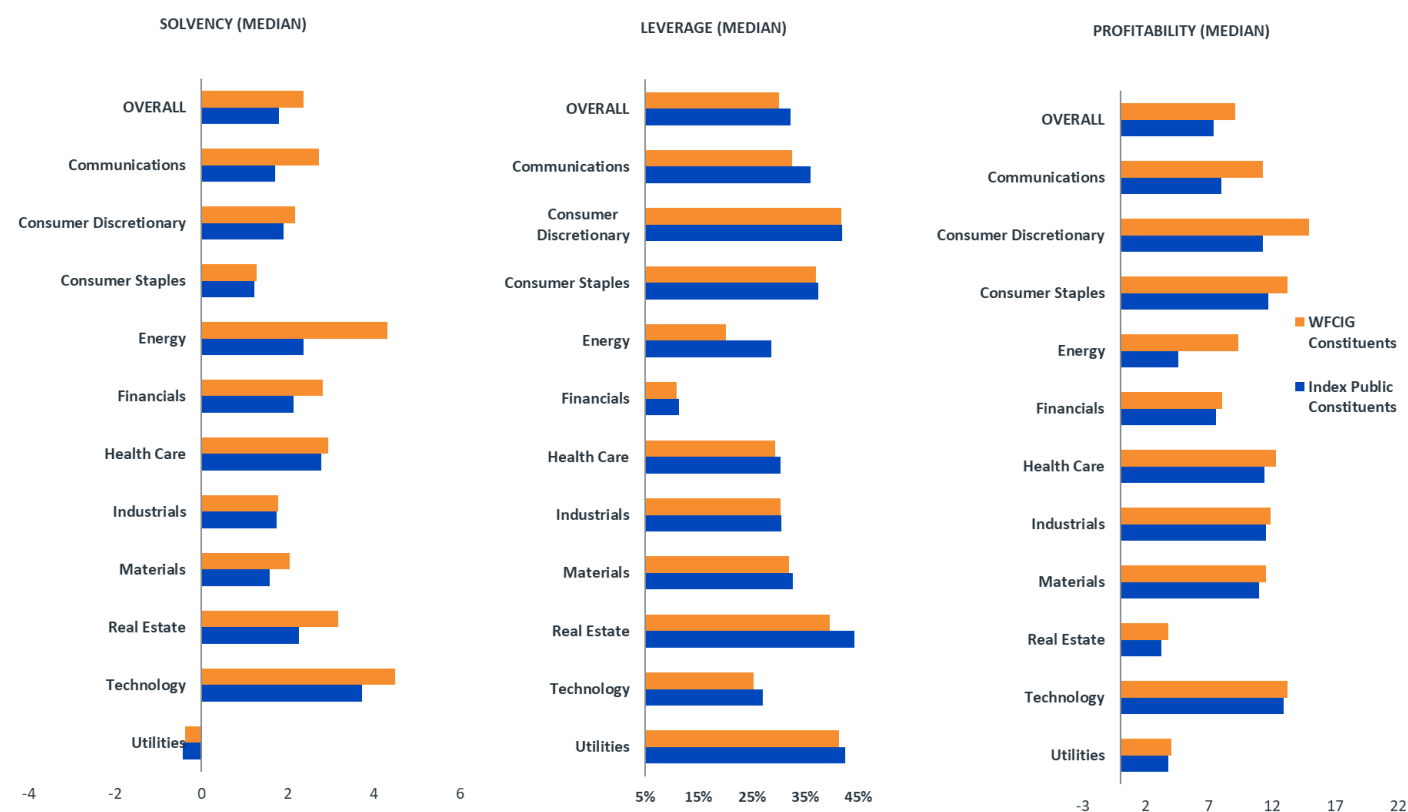
CHANGES IN FUNDAMENTAL FACTORS

For investment-grade corporates, we use free cash flow over debt service as a measure of solvency, total debt over total assets as a measure of leverage, and return on invested capital as a measure of profitability.

At each rebalance, we eliminate the bottom 20% of companies in each sector with the lowest fundamental factor scores. As a result, WFCIG and WFCIGS select companies in each sector that have better cash flows, employ lower leverage, and are more profitable relative to the benchmark.

Comparison of Factor Medians by Sectors

WisdomTree Fundamental U.S. Investment Grade Corporate Bond Index vs Market Cap Universe



The factor decomposition of WisdomTree Fundamental U.S. Short Term Investment Grade Corp Bond Index vs market cap universe offers similar factor median comparison. The better cash flows, profitability and lower leverage, the better.

Sources: WisdomTree, FactSet, Bloomberg, with data as of 08/31/2023. Free cash flow over debt service is used as a measure of solvency. Index Public Constituents represents a subset of the Bloomberg U.S. Corporate Bond Index that excludes those with private parent companies. The Bloomberg U.S. Corporate Bond Index is a rules-based market value-weighted index engineered to measure the performance of the U.S. investment-grade corporate bond market.

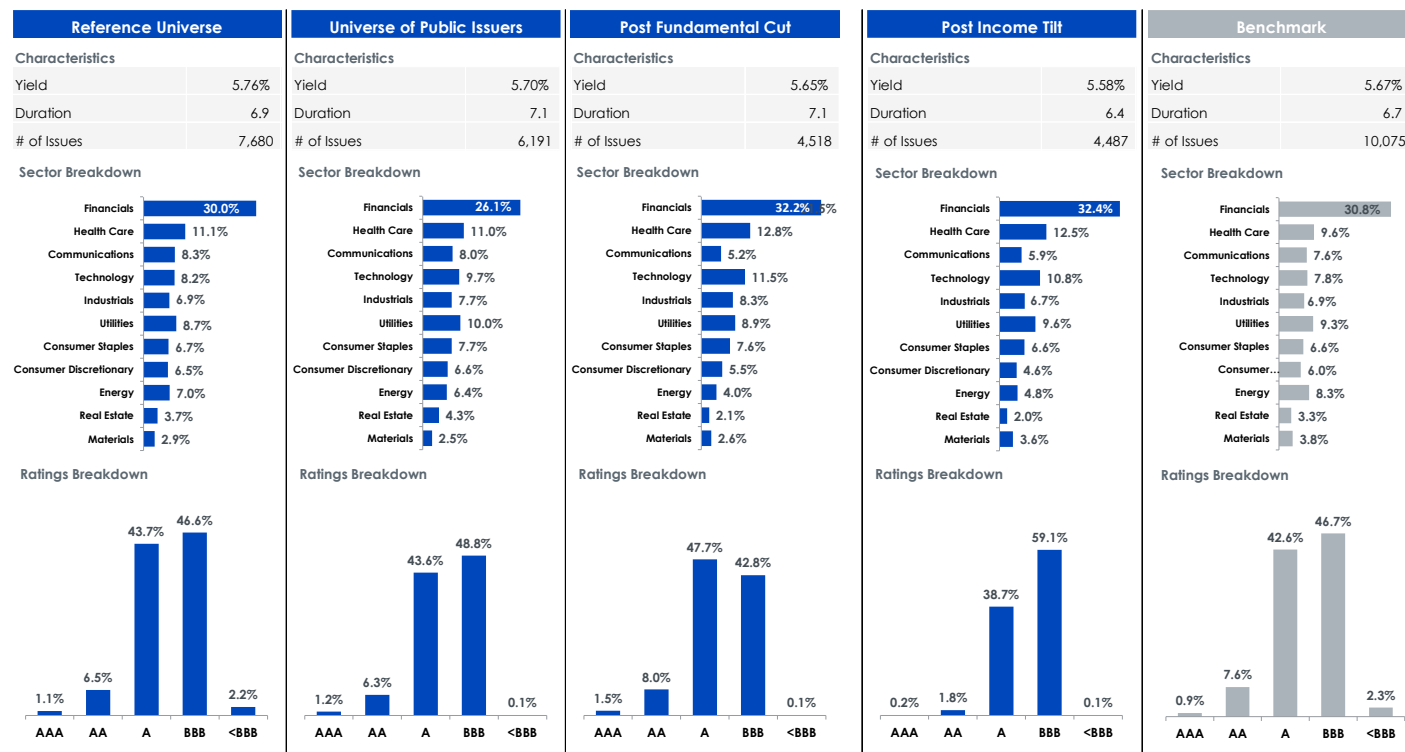
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UNIVERSE BREAKDOWN SHOWCASING REBALANCE PROCESS

In the following panels we show the indexing process for WFCIG. To review, we start with a broad investment-grade corporate universe with minimum size and years-to-maturity constraints, and calculate the combined factor scores for public companies based on fundamental factors. For each broad sector, we cut the bottom 20% of the companies with the lowest factor scores, and then tilt toward those with the most favorable risk-adjusted income characteristics.



Sources: WisdomTree, Bloomberg, data as of 08/31/2023, the weight determination date of the rebalance process. Past performance is not indicative of future results. You cannot invest directly in an index. Reference Universe defined as the Bloomberg U.S. Corporate Bond Index, a rules-based market value-weighted index engineered to measure the investment-grade, fixed-rated, taxable corporate bond market, excluding bonds that did not meet the ratings criteria in the WisdomTree methodology. Universe of Public Issuers represents a subset of the Market Cap Benchmark that excludes those with private parent companies. Post Fundamental Cut is the portfolio of issues with at least \$500M outstanding that remain after cutting the bottom 20% by fundamentals. The Post Income Tilt represents the final index after adding in the income tilt. Benchmark is defined as the BofA Merrill Lynch U.S. Corporate Index, which tracks the performance of U.S. dollar denominated investment grade corporate debt securities issued in the U.S. Exposures subject to change.

Glossary:

Basis Point: 1/100th of 1 percent

Cash Flow: a measure of how much cash a business generates after taking into account all the necessary expenses, including net capital expenditures.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates. Effective duration is a calculation used to approximate the actual, modified duration of a callable bond. It takes into account that future interest rate changes will affect the expected cash flows for a callable bond.

Credit Quality is the underlying credit worthiness of a bond, reflecting its risk of default. Credit quality is typically represented by the credit ratings of a bond that are assigned by rating agencies such as Moody's or Standard & Poor's.

Yield to worst: The rate of return generated assuming a bond is redeemed by the issuer on the least desirable date for the investor.

Investment Grade: A rating given to a municipal or corporate bond. It is a relatively favorable rating by either Moody's or Standard & Poor's indicating a higher chance an issuer performs interest and principal obligations as promised by the terms of the debt issuance.

Liquidity: The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets.

Fundamentals: Attributes related to a company's actual operations and production as opposed to changes in share price.

Rebalance: An index is created by applying a certain set of selection and weighting rules at a certain frequency. WisdomTree rebalances, or re-applies its rules-based selection and weighting process on an annual basis.

Yield: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.9473, or visit [WisdomTree.com](https://www.wisdomtree.com) to view or download a prospectus. Investors should read the prospectus carefully before investing.

There are risks associated with investing, including possible loss of principal. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. While the Fund attempts to limit credit and counterparty exposure, the value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund's portfolio investments. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns. WisdomTree, its affiliates and their independent providers are not liable for any informational errors, incompleteness or delays or for any actions taken in reliance on information contained herein.

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