Active vs. Passive Strategy ETFs—A WisdomTree-Only Tour

Published July 2, 2025

Vanya Sharma
Senior Associate, Capital Markets

Key Takeaways

- While all ETFs offer structural efficiency, WisdomTree's lineup shows that the real differentiator lies in strategy—with passive funds like DGRW and USFR offering low-cost, transparent exposure, and active funds like ELD and WTMF providing tactical flexibility and alpha potential.
- In markets where precision matters, active ETFs like WTMF and ELD allow investors to dynamically respond to valuation shifts and macro risks, delivering differentiated return streams not tied to traditional benchmarks.
- Whether optimizing for cost and predictability or seeking diversified risk-adjusted returns, investors can build customized portfolios within WisdomTree's ETF family by matching management style to investment goals.

While all ETFs share the same efficient structure, how they're managed can vary dramatically. In part 2 of our series, we compare passive and active strategies within the ETF wrapper—and show how WisdomTree's approach to both offers investors a spectrum of precision, flexibility and potential outperformance.

Exchange-traded funds can follow **two very different playbooks**:

Strategy style	How it's run	WisdomTree flagship examples	What the manager is really doing
Passive/ Index-tracking	Replicates a published index; portfolio changes only when the index rebalances.	**DGRW** – U.S. Quality Dividend Growth Fund (tracks the WisdomTree U.S. Quality Dividend Growth Index) **USFR** – Floating Rate Treasury Fund (tracks the Bloomberg U.S. Treasury Floating Rate Bond Index)	Systematically mirrors the index's constituents and weights, with no day-to-day stock picking.
Active/ Manager-directed	Portfolio managers (human or rules-driven models) decide what to own, when to trade and how much to weight.	**ELD** – Emerging Markets Local Debt Fund (selects EM government & corporate bonds in local currencies) **WTMF** – Managed Futures Strategy Fund (uses a quantitative models-based futures program across commodities, currencies & rates)	Actively adjusts positions in response to fundamentals, valuations, risk signals or quantitative trends.

Passive vs. Active Managed ETFs—Which One Is for You?

1. Passive WisdomTree ETFs—letting an index do the driving

- **WisdomTree U.S. Quality Dividend Growth Fund (DGRW): Quality dividend growth, rules instead of managers**
  - Tracks WisdomTree's own **fundamentally weighted index** that screens large- and mid-cap U.S. companies for expected earnings growth, high return on equity and sustainable dividends.
  - *Outcome*: Low-turnover equity exposure that systematically tilts toward profitable dividend growers without paying an active-management fee premium.
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- **WisdomTree Floating Rate Treasury Fund (USFR): A utility bond sleeve in cash-like form**
  - Holds newly issued U.S. Treasury floating rate notes that reset with short-term yields, **automatically rolled** as the benchmark index updates.
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Why investors pick passive WisdomTree ETFs

- Very low expense ratios (0.15 % for **USFR**; 0.28 % for **DGRW**).
- Structural tax efficiency via in-kind creations/redemptions.
- Transparency: full holdings published every trading day.
- A rules-based discipline that never lets emotions or macro calls creep in.
- **WisdomTree Emerging Markets Local Debt Fund (ELD): Hands-on in emerging-market bond markets**
  - Portfolio team dynamically weighs sovereign and corporate debt across 15–25 EM countries, deliberately avoiding illiquid frontier issuers.
  - Currency, duration and credit risk can all be dialed up or down as the team's macro and valuation views evolve.
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- **WisdomTree Managed Futures Strategy Fund (WTMF): A managed-futures diversifier in an ETF wrapper**
  - Quantitative trend-following model goes long or short U.S.-listed futures on commodities, currencies, equities and Treasuries.
  - Seeks positive total return in both rising and falling markets, aiming for low correlation with stocks and bonds.
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Why investors pick active WisdomTree ETFs

- **Tactical latitude** to exploit mispricings or manage risk (**ELD** can exit a country overnight; **WTMF** can flip from long to short wheat futures in a single rebalance).
- Potential to outperform a traditional benchmark in inefficient corners of the market.
- Still enjoys the ETF's tax efficiency, liquidity and daily holdings disclosure—advantages most active mutual funds can't match.

3. Key differences at a glance

Dimension	Passive (DGRW, USFR)	Active (ELD, WTMF)
Objective	Match a published index's return (before fees).	Beat a stated benchmark or deliver a absolute-return profile.
Portfolio turnover	Low and timetable-based.	Variable; trades as opportunities or risks change.
Cost	Typically lower (0.15%–0.30% for these Funds).	Higher but still ETF-competitive (around 0.50%–0.65%).
Manager discretion	None once index rules are set.	High—humans or algorithms make live decisions.
Potential for tracking error vs. index	Minimal by design.	Intentional; success measured against alpha or risk objectives.

4. Which style might fit your portfolio?

Choose passive WisdomTree ETFs when you want…

- Broad-market beta, factor tilts or bond duration targets at rock-bottom cost.
- Predictable exposures you can set and forget.

Choose active WisdomTree ETFs when you need…

- Specialized insight in less-efficient asset classes (EM local debt).
- A return stream that zigs when stocks and bonds zag (managed futures).
- Tactical flexibility without giving up ETF liquidity or transparency.

Bottom Line

WisdomTree offers both **rules-based passive** funds like **DGRW** and **USFR** and **manager-directed active** funds such as **ELD** and **WTMF**. Understanding which engine is under the hood—index autopilot or hands-on steering—helps investors pick the right vehicle for cost, risk and return goals, all while staying inside the tax-efficient, intraday-tradable ETF wrapper.

Strategy is only one part of the ETF equation—what you allocate to matters just as much. In part 3 of our series, we turn to fixed income ETFs and explore how WisdomTree's lineup helps investors navigate rate regimes, manage risk and diversify income across credit, duration and global exposures.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

DGRW: Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

USFR: Securities with floating rates can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value. Fixed income securities will normally decline in value as interest rates rise. 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. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.

ELD: Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall income may decline. 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. Unlike typical exchange-traded funds, there is no index that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objective will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.

WTMF: An investment in this Fund is speculative, involves a substantial degree of risk, and should not constitute an investor's entire portfolio. One of the risks associated with the Fund is the complexity of the different factors which contribute to the Fund's performance, as well as its correlation (or non-correlation) to other asset classes. These factors include use of long and short positions in commodity futures contracts, currency forward contracts, swaps and other derivatives. Derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions. In addition, bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue. The Fund should not be used as a proxy for taking long only (or short only) positions in commodities or currencies. The Fund could lose significant value during periods when long only indexes rise (or short only) indexes decline. The Fund's investment objective is based on historic price trends. There

can be no assurance that such trends will be reflected in future market movements. The Fund generally does not make intra-month adjustments and therefore is subject to substantial losses if the market moves against the Fund's established positions on an intra-month basis. In markets without sustained price trends or markets that quickly reverse or "whipsaw" the Fund may suffer significant losses. The Fund is actively managed thus the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.