

An Active ETF Standing Out from Its Fixed Income Peers

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One of the most talked-about and intriguing categories of ETFs is the actively managed ETF. Active ETFs still represent only a small subset of the ETF universe, but a number of high-profile, traditional active managers have considered entering the space with non-transparent strategies. WisdomTree, a pioneer in active ETFs and a leading active ETF provider since entering this category in 2008, strongly believes that transparency is a major virtue of the ETF structure, especially in the fixed income category. In fixed income, we see potential benefits to tapping experienced investment managers to better navigate the credit cycle. This may be particularly true in environments where liquidity has become compromised and the low-hanging fruit of early credit cycles is gone. Under the guidance of Western Asset Management Company (Western Asset)¹, the [WisdomTree Strategic Corporate Bond Fund \(CRDT\)](#) has developed an impressive track record since its inception on January 31, 2013. Since its inception, CRDT has outperformed 94% of all corporate bond mutual funds and ETFs on a risk-adjusted basis (Sharpe Ratio) and 87% of all world bond funds on a similar basis. Looking at just the corporate bond ETF category, CRDT had the second-best Sharpe ratio (risk-adjusted returns) among 21 funds, ranking it in the top 95% of corporate bond ETFs since its inception and giving it the fifth-best absolute return. **CRDT Performance**

	Since Inception	All Corporate Bond Mutual Funds and ETFs			Corporate Bond ETFs			World Bond Category		
WisdomTree Strategic Corporate Bond ETF (CRDT)	1/31/2013–3/31/2015	Number of Peers	Peer Group Rank	% of Peers Beaten	Number of Peers	Peer Group Rank	% of Peers Beaten	Number of Peers	Peer Group Rank	% of Peers Beaten
Annualized Return	4.57%	181	42	77%	21	5	81%	358	28	92%
Sharpe Ratio	1.14	181	12	94%	21	2	95%	358	47	87%

Source: Morningstar, Inc., 2015.

For the 1-year period ending 3/31/2015, CRDT's rankings were: 111 out of 203 peers in All Corporate Bond Mutual Funds and ETFs; 17 out of 28 peers in Corporate Bond ETFs; and 49 out of 404 peers in the World Bond Category. All rights reserved. The information contained herein (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers is responsible for any damages or losses arising from any use of this information. Past performance, rankings and ratings are no guarantee of future results. The "Percent of Peer Group Beaten" is a fund's total-return percentile rank relative to all funds in the same Morningstar category and is subject to change each month. Regarding ranking of funds, 1 = best and 181 = worst, using the one-year time frame as an example, where there were 181 managers with performance extending through the full period.

CRDT Average Annual Total Returns

FUND	Cumulative Returns as of 3/31/2015			Average Annual Returns as of 3/31/2015		
	1-MO.	3-MO.	YTD	SINCE FUND INCEPTION 1/31/2013	1-YR.	SINCE FUND INCEPTION 1/31/2013
WisdomTree Strategic Corporate Bond Fund (CRDT) NAV	0.26%	2.58%	2.58%	10.16%	5.61%	4.57%
WisdomTree Strategic Corporate Bond Fund (CRDT) Market	0.40%	2.26%	2.26%	9.48%	5.33%	4.27%
Barclays Global Credit Index Hedged	0.31%	2.23%	2.23%	10.34%	6.31%	4.66%
Global Corporate Composite Hedged	0.20%	2.27%	2.27%	10.92%	5.93%	4.91%

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at www.wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

Western Asset incorporates both top-down and disciplined bottom-up analysis in uncovering corporate bond opportunities in the United States and around the world. By taking a global view of credit, the team at Western is able to think strategically about what risks are ultimately worth taking. **Window into Western Asset's Current Views** A primary benefit of the daily transparency of the ETF structure is full knowledge of how a portfolio is positioned every day. An investor can get a window into Western's worldview based on allocations to CRDT. Right now, the team managing CRDT is cautiously constructive at current spreads but remains vigilant in monitoring idiosyncratic risks.

- **Favorites:** U.S. Financials remain an over-weight, with the continued regulatory push to "Back to Basics" banking having strong bondholder-friendly implications.
- **Under-weights:** Conversely, greater caution is suggested in considering credits in sectors, such as energy, chemicals, communications and technology, that appear more prone to shareholder activism and M&A.
- **Opportunities Lower in the Credit Spectrum:** Western Asset sees opportunities in select high-yield credits, given the resiliency in fundamentals and support from positive technicals.
- **Homebodies:** On the whole, U.S. and UK credits are preferred to European credits across the quality spectrum.
- **Less Rate Risk:** There current bias is to take on less interest rate risk than the benchmark for the second quarter. Ultimately, effective bond managers are only as good as their investment processes. As we have outlined in this piece, we believe that Western Asset's approach to fixed income can be a valuable resource to investors seeking to navigate the evolution of global credit markets. Western Asset is one of premiere value-focused fixed income managers, and CRDT is showing how active ETFs can provide differentiated and meaningfully strong performance—all while providing full transparency. 1Western Asset sub-advises five WisdomTree Funds, as of 3/31/15.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. 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. Please read the Fund's prospectus for specific details regarding the Fund's risk profile. Foreside Fund Services, LLC, is not affiliated with Western Asset Management Company.