

Navigating Uncertain Markets with WisdomTree Managed Futures Fund

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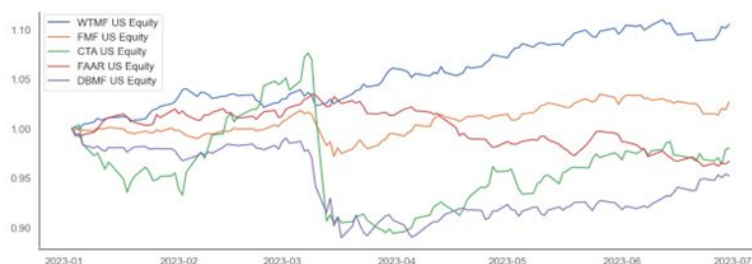
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The [WisdomTree Managed Futures Strategy Fund \(WTMF\)](#) has been the best-performing managed futures ETF year-to-date, delivering 10.5% returns as of June 30, 2023. This is in contrast to the weak and negative performance of the majority of the funds in the category. We'll explore some reasons WTMF has successfully delivered consistent returns compared with the S&P 60/U.S. Agg 40 benchmark.



Sources: WisdomTree, Bloomberg. Growth of \$1 since the start of 2023. As of 6/30/23. To learn more about the differences between the funds being compared, please see the Additional Information section below.

The WisdomTree Managed Futures Strategy Fund (WTMF) seeks to achieve positive total returns in rising or falling markets that are not directly correlated to broad market equity or fixed income returns. The Fund is managed using a quantitative, rules-based strategy. It has a gross expense ratio of 0.65%.

The First Trust Managed Futures Strategy ETF (FMF) is an actively managed ETF that seeks to achieve positive returns that are not directly correlated to broad market equity or fixed income returns. It has a gross expense ratio of 0.95%.

The Simplify Managed Futures Strategy ETF (CTA) is actively managed and seeks long-term capital appreciation by investing in various types of futures contracts. Under normal market conditions, the fund invests in a portfolio of interest rate and commodity futures contracts. It has a gross expense ratio of 0.75%.

The First Trust Alternative Absolute Return Strategy ETF (FAAR) is actively managed and seeks to achieve long-term total return through long and short investments in exchange-traded commodity futures contracts. It has a gross expense ratio of 0.95%.

The IMGP DBI Managed Futures Strategy ETF (DBMF) managed futures strategy employs long and short positions in derivatives, primarily futures contracts and forward contracts, across the broad asset classes of equities, fixed income, currencies and, through the subsidiary, commodities.

The peer group is chosen based on Bloomberg's ETF screen by selecting all funds investing in multiple asset classes or multiple sectors of an asset class and based on a managed futures strategy.

For the most recent month-end performance, click [here](#). For the most recent month-end and standardized performance and to download the fund prospectus, click the respective ticker: [WTMF](#), [FMF](#), [CTA](#), [FAAR](#), [DBMF](#).

WTMF consists of five independent, trend-following models on rates, currencies, crypto, equities and commodities. The asset allocation seeks to provide consistent positive returns with low volatility.

Our **tactical equity model** is a data-driven, systematic strategy that invests in a diversified basket of five broad equity index futures contracts (S&P 500, Nikkei 225, [S&P/TSX 60](#), Euro Stoxx 50 and Russell 2000). The combined weight of this equal-weighted equity component of the model is limited to 40% of the exposure in the strategy.

A general macro indicator based on the VIX and high-yield credit spread is used to rotate between a long-only (risk-on) and long/short (risk-off) strategy. The model also uses contract-specific signals based on momentum and correlation (a sign of stress in the market) to reduce exposure or go short.

Any excess collateral available after reducing equity exposure in the model from the 40% target weight is allocated to either the short end or long end of the Treasury futures contracts as additional diversification.

The **enhanced commodity model**, which makes up 37% of the portfolio, takes a long, flat or short position in individual commodity contracts based on two-factor momentum. When both signals agree, we take either a long or a short position in the contract. If the two signals differ, there is less certainty about whether there is a reliable trend to trade on, hence scaling our positions in commodities where the signals are conclusive.

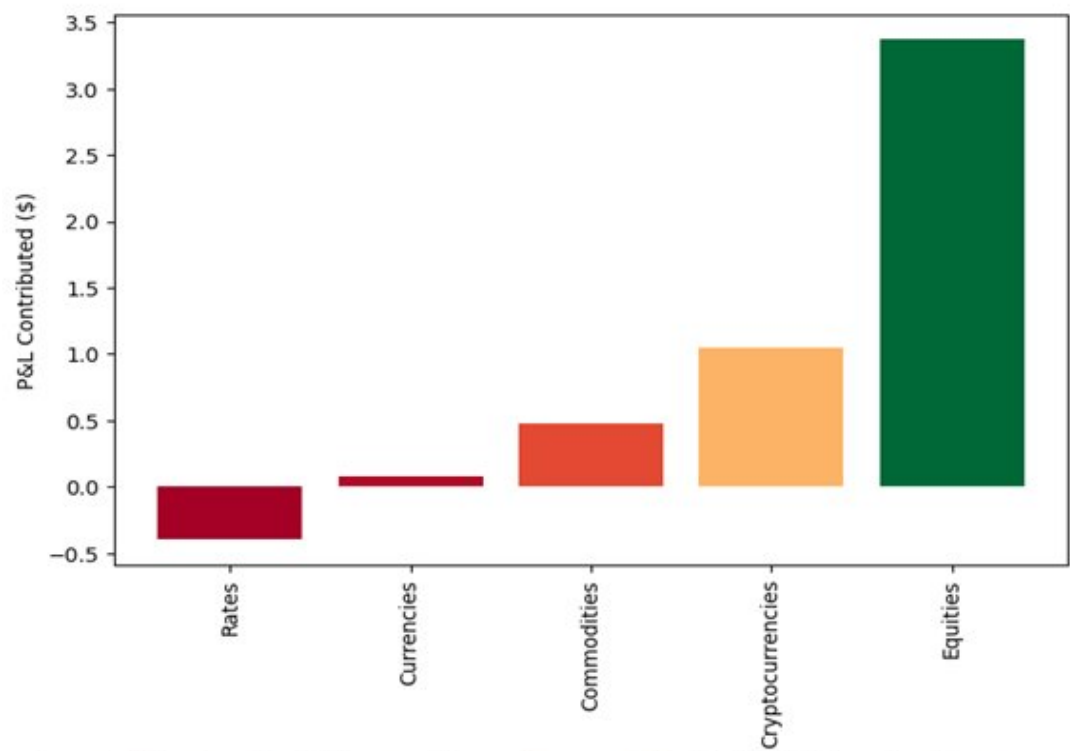
Our **currencies model**, which makes up 10% of the portfolio, invests in either the U.S. dollar or a bucket of EM currencies based on the momentum of the ICE U.S. Dollar Index.

The **Treasuries model** consists of multiple trend signals on 10-Year and 30-Year Treasury based on which a fully long/short or a partial long/short position is determined in the two contracts individually. The allocation makes up 10% of the overall portfolio.

Finally, a two-factor momentum model determines the allocation in the **BTC** contract, resulting in a full 3% allocation, 1.5% allocation or no allocation.

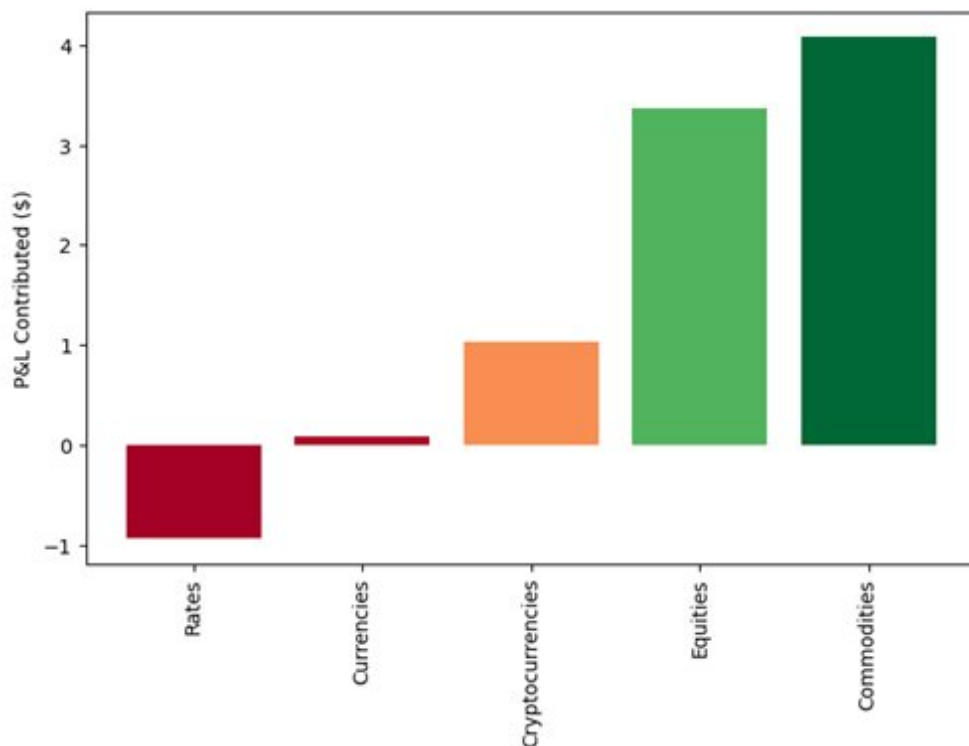
Short-Term Performance

While we witnessed positive returns for all components except rates, commodities and equities have been the major contributors by far this year. Our tactical equity rotation model, which remained around 80% invested in equities on average throughout the year, added 3.5% to the total returns.



Sources: WisdomTree, FactSet. Long positions performance attribution: Underlying sectors. From 12/31/22 to 6/30/23.

On the other hand, our enhanced commodity model has successfully navigated the volatile sector shifts in commodities this year. Short positions across mean reverting natural gas and oil, among other commodities, helped generate gains from the sharp price decline this year.



Sources: WisdomTree, FactSet. Long positions performance attribution: Underlying sectors. From 12/31/22 to 6/30/23.

The breakdown below shows that the performance was equally driven by the long and short components of the models this year, highlighting the model's capability to generate returns from both rising and falling markets.



Sources: WisdomTree, FactSet. Growth of \$1. Performance attribution: Long/short positions. From 12/31/22 to 6/30/23.

Long-Term Performance (since Model Revamp)

Over the last two years, we have witnessed increased global market volatility, primarily driven by Russia's invasion of Ukraine. We would like to note that WTMF navigated the volatility relatively well, generating

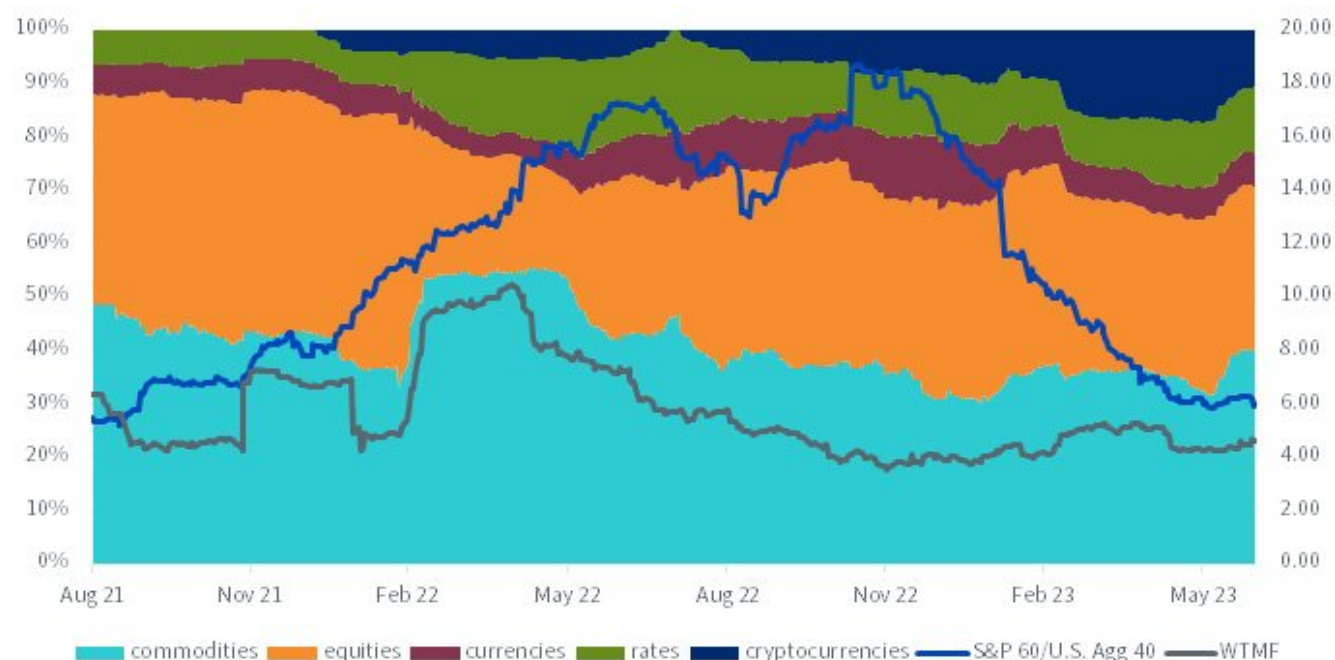
positive returns over the benchmark, with an annualized volatility of just 5.96% compared with the benchmark's 11.58% during the period.



Sources: WisdomTree, FactSet. Growth of \$1. Cumulative performance versus benchmark. From 5/31/21 to 6/30/23.

Our asset allocation framework and low correlation among underlying models helped achieve reduced portfolio risk, increased stability during market turbulence and the potential for enhanced risk-adjusted returns.

WTMF vs. Benchmark Volatility and Component Contribution



Sources: WisdomTree, FactSet. Three-month rolling annualized volatility based on the contribution of returns of constituent components and strategy returns. From 5/31/21 to 6/30/23.

Conclusion

With heightened geopolitical tensions, unusually high rates and a changing world trade order, market uncertainty will likely remain high for the foreseeable future. WMTF has proven resilient in controlling drawdowns and providing consistent returns with significantly reduced volatility over the S&P 60/U.S. Agg 40. Therefore, it could be worth looking at as a core or tactical allocation.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Funds focusing their investments on certain sectors may be more vulnerable 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. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

The purpose of this material is to provide financial professionals with a means to evaluate the investment methodology of the Funds and Indexes as compared to various other funds/indexes. It is the opinion of WisdomTree that all funds and indexes are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ, and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund-to-fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund. The information included in this material is based upon data obtained from FactSet and WisdomTree's database, which are believed to be accurate. This material is not considered an offer to sell or a solicitation to buy shares of any other funds mentioned herein.