The WisdomTree Portfolio Review, Part One: Strategic Models

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This article is relevant to financial professionals who are considering offering model portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these model portfolios.

As we begin an already turbulent 2023, let's take a moment to review how our Model Portfolios performed in 2022. This is the first of a three-part series, breaking each blog post into our categorizations of models: 1) Strategic, 2) Outcome-Focused and 3) Collaboration.

Let's dive in.

Equity

No one needs to be reminded what a terrible year 2022 was for both global stock and bond markets. No one completely avoided the tsunami, but there were certain risk factors that performed better than others.

First and foremost was value. We saw a massive rotation into value and out of the growth risk factor that dominated market performance for most of the previous 10 years (think mega-Tech stocks). The 24+% differential between value and growth performance in 2022 was the largest dispersion the market has witnessed in decades, perhaps ever.

Source: YCharts, data from 1/1/22–12/31/22. You cannot invest in an index, and past performance does not guarantee future results.

For definitions of Indexes in the chart, please visit our glossary.

We saw similar outperformances, on smaller scales, by the dividend and quality factors (though dividends were close).

Source: YCharts, data from 1/1/22–12/31/22. You cannot invest in an index, and past performance does not guarantee future results.

For definitions of Indexes in the chart, please visit our glossary.

Finally, we saw outperformance by smaller-cap stocks (using the S&P 500 equal-weighted Index as a proxy since it is not cap-weighted but assigns equal weight to each stock within the S&P 500).

Source: YCharts, data from 1/1/22–12/31/22. You cannot invest in an index, and past performance does not guarantee future results.

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If you know WisdomTree, you know that many, if not most, of our equity products have inherent factor tilts embedded in them, focusing primarily on dividends, value, quality and size—the exact factors that performed best in 2022.

Furthermore, another inherent thesis in our equity models is a belief in global diversification. This, too, worked out well in 2022, as both developed international and emerging markets outperformed the U.S., despite an almost year-long rally in the U.S. dollar (which works to dampen the return realized by U.S. investors on their non-U.S. investments).

Source: YCharts, data from 1/1/22–12/31/22. You cannot invest in an index, and past performance does not guarantee future results.

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All these inherent tilts in our equity model—value, dividends, size, quality and a global allocation—translated into the solid outperformance of our core equity model relative to its underlying benchmarks.

WisdomTree Core Equity Model Portfolio

2.51%	0.25%	12/18/2013	100%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Equity

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns			
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Core Equity Model Portfolio (NAV)	-3.57%	10.12%	-15.84%	-15.84%	3.52%	4.13%	-	6.52%
WisdomTree Core Equity Model Portfolio (MP)	-4.22%	10.26%	-15.85%	-15.85%	3.49%	4.05%	-	6.39%
MSCI ACWI IMI	-3.84%	9.84%	-18.40%	-18.40%	3.89%	4.96%	-	6.63%
MSCI ACWI Diversified Multi Factor	-4.31%	10.40%	-16.59%	-16.59%	3.12%	3.33%	-	6.76%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

The Model Portfolio performance results shown are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment. Thus, the performance shown does not reflect the impact that economic and market factors had or might have had on decision-making if actual investor money had been managed and allocated per the Model Portfolio. The actual performance achieved in seeking to follow the Model Portfolio may differ from the theoretical performance shown for a number of reasons, including the timing of implementation of trades (including rebalancing trades to adjust to Model Portfolio changes), market conditions, fees and expenses (e.g., brokerage commissions, deduction of advisory or other fees or expenses charged by advisors or other third parties to investors, strategist fees and/or platform fees), contributions, withdrawals, account restrictions, tax consequences and/or other factors, any or all of which may lower returns. While the Model Portfolio performance may have been better than the benchmark for some or all periods shown, the performance during any other period may not have been, and there is no assurance that the Model Portfolio performance will be better than the benchmark in the future. The Model Portfolio performance calculations assume reinvestment of dividends, are pre-tax and are net of Fund expenses.

ETF shares are bought and sold at market price (not NAV) and are not individually redeemable 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. Model 12-month yield is calculated using the weighted average trailing 12-month distribution yields of the Fund constituents. Funds incepted less than 12 months ago do not have a trailing 12-month dividend yield. Model expense ratio refers to the weighted average expense ratios of the Fund constituents.

For underlying Fund performance including standardized performance and 30-Day SEC yield, please click here. **Month-end performance can be found at wisdomtree.com/etfs**

The good news is that these factor rotations tend not to be one-year phenomena but rather multi-year cycles. So, these "factor tailwinds" may be with us for some time to come.

Fixed Income

For all of 2022, the positioning within our fixed income model was to be under-weight in duration and over-weight in quality credit relative to the Bloomberg Aggregate Index.

These were the correct calls, and this portfolio outperformed its underlying benchmark as well in 2022 by almost 200 basis points.

WisdomTree Fixed Income Model Portfolio

2.84%	0.22%	12/18/2013	100%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Fixed Income Model Portfolio (NAV)	-0.62%	1.84%	-11.23%	-11.23%	-2.29%	0.15%	-	1.66%
WisdomTree Fixed Income Model Portfolio (MP)	-0.52%	1.97%	-11.10%	-11.10%	-2.29%	0.14%	-	1.67%
Bloomberg U.S. Aggregate Bond Index	-0.45%	1.87%	-13.01%	-13.01%	-2.71%	0.02%	-	1.37%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

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Well, if your core equity and fixed income models both outperformed, then your strategic allocation models, comprised of varying combinations of the equity and fixed income portfolios, should also have outperformed. Using the traditional "60/40" stock/bond portfolio as an example, this is exactly what happened.

WisdomTree Moderate Model Portfolio

2.77%	0.23%	12/18/2013	60% | 40%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Equity | Fixed Income

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Moderate Model Portfolio (NAV)	-2.36%	7.00%	-14.09%	-14.09%	1.32%	2.73%	-	4.74%
WisdomTree Moderate Model Portfolio (MP)	-2.74%	7.14%	-14.04%	-14.04%	1.29%	2.68%	-	4.66%
60% MSCI ACWI IMI - 40% Bloomberg U.S. Aggregate Bond Index	-2.48%	6.68%	-16.04%	-16.04%	1.61%	3.31%	-	4.57%
60% MSCI ACWI Diversified Multi Factor - 40% Bloomberg U.S. Aggregate Bond Index	-2.77%	7.03%	-14.91%	-14.91%	1.13%	2.35%	-	4.67%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

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Endowment Model

Finally, a word about our endowment models, which combine stocks and bonds with an allocation to lower-correlated strategies such as real assets and alternatives. The thesis behind these models is that by incorporating lower-correlated strategies, advisors can deliver a more diversified portfolio experience, with the potential of delivering more consistent portfolio performance regardless of the market regime.

The idea is to take advantage of the power of compounding—if you don't lose as much in down markets, you don't need to gain as much in up markets to still come out ahead in the long run.

This is what happened in 2022. Most advisors know if they included real assets (specifically commodities) and alternatives (equity long/short, managed futures, global macro, etc.) in 2022, they were pleased with the outcome.

Using our "moderately aggressive" endowment model as an example, as it is the closest allocation to our traditional 60/40 portfolio, we notice two things: (1) our portfolio (down 13.10%) generally tracked its underlying benchmarks, but (2) it outperformed our traditional 60/40 portfolio (down 14.09%). In other words, it did its job.

WisdomTree Endowment Moderately Aggressive Model Portfolio

3.58%	0.31%	12/31/2016	50%	30%	20%
Model 12-Month Dividend Yield (As of 12/31/2022)	Model Expense Ratio	Inception date	Equity	Fixed Income	Alternative

Model Performance | Model Allocations | Model Exposures | Fund Performance | Fund Details

As of 12/31/2022	Cumulative Returns			Average Annual Total Returns				
Name	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Endowment Moderately Aggressive Model Portfolio (NAV)	-2.19%	7.02%	-13.10%	-13.10%	1.74%	2.76%	-	4.59%
WisdomTree Endowment Moderately Aggressive Model Portfolio (MP)	-2.58%	7.16%	-13.09%	-13.09%	1.73%	2.71%	-	4.57%
50% MSCI AC World Index / 30% Bloomberg U.S. Aggregate Bond Index / 20% ICE BofA US 3-Month Treasury	-2.03%	5.65%	-12.72%	-12.72%	1.75%	3.23%	-	4.76%
50% MSCI AC World Index / 30% Bloomberg U.S. Aggregate Bond Index / 20% Wilshire Liquid Alternative	-2.37%	5.81%	-14.07%	-14.07%	1.63%	3.06%	-	4.76%

Source: WisdomTree Model Adoption Center, as of 12/31/22. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and the 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.**

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Conclusion

No one is happy to see negative performances in their portfolios. But, given the *annus horribilis* that was 2022, our relative outperformances are something we can build from as we move into and through 2023.

In part two of this series, we will examine the performances of our Outcome-Focused models.

Financial advisors can learn more about these models and how to position them successfully with end clients at our Model Adoption Center.

Important Risks Related to this Article

For Financial Advisors: WisdomTree Model Portfolio information is designed to be used by financial advisors solely as an educational resource, along with other potential resources advisors may consider, in providing services to their end clients. WisdomTree's Model Portfolios and related content are for information only and are not intended to provide, and should not be relied on for, tax, legal, accounting, investment or financial planning advice by WisdomTree, nor should any WisdomTree Model Portfolio information be considered or relied upon as investment advice or as a recommendation from WisdomTree, including regarding the use or suitability of any WisdomTree Model Portfolio, any particular security or any particular strategy.

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