

The WisdomTree Portfolio Review, Part Two: Outcome-Focused 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.

We began this “mini-series” of blog posts with [a review of our strategic models](#). Now let’s turn our attention to our “outcome-focused” models.

Our outcome-focused models can and are used as stand-alone models by some of our clients. But most advisors view them as complementary “sleeves” to an already existing portfolio in order to achieve specific investment mandates.

Let’s review them in the order they appear on our [Model Adoption Center](#).

Global Dividend

Exactly as it sounds, this is a global all-equity portfolio that focuses on generating the optimal level of dividends for those investors seeking to “goose” the yield of their overall portfolio. Most of the WisdomTree products in this portfolio also have a quality screen. What this means is not just chasing the highest dividend payers but focusing on those companies we believe have the most sustainable dividends (or dividend growth), regardless of market regime.

In 2022, this portfolio essentially tracked (though slightly lagged) the MSCI ACWI Value Index. Value was on such a tear in 2022 that our quality screens took some of the performance away versus that benchmark. But we will never apologize for tilting toward quality within our portfolios—it is one of our anchoring philosophies.

As of December 31, 2022, the yield on the benchmark MSCI ACWI Value Index was 3.60%. The model met its mandate—delivering comparable or better total returns with an enhanced dividend yield relative to its underlying benchmark.

WisdomTree Global Dividend Model Portfolio

3.98%Model 12-Month Dividend Yield
(As of 12/31/2022)**0.35%**

Model Expense Ratio

12/18/2013

Inception date

100%

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 Global Dividend Model Portfolio (NAV)	-2.85%	12.85%	-7.78%	-7.78%	4.65%	5.08%	-	6.38%
WisdomTree Global Dividend Model Portfolio (MP)	-3.39%	13.06%	-7.78%	-7.78%	4.67%	5.03%	-	6.29%
MSCI ACWI Value	-2.36%	14.21%	-7.55%	-7.55%	3.30%	3.47%	-	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.

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 inception 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.

Global Multi-Asset Income

Similar to the global dividend model, this model seeks to optimize quality income but invests across multiple asset classes to do so. In addition to dividend-oriented stocks and fixed income, this portfolio allocates to MLPs, a traditionally high-yielding asset.

MLPs absolutely ripped in 2022—the Alerian MLP Index was up more than 20% for the year. So the inclusion of an MLP strategy (though at a small allocation level—3%) certainly helped the total return of the overall portfolio, but it also helped to enhance the overall income profile.

If we use our “moderate risk” version of this portfolio as an example (which tracks most closely to a traditional 60/40 stock/bond portfolio), as of December 31, 2022, our total return performance tracked almost exactly to the underlying Index (60% MSCI ACWI Value + 40% Bloomberg Aggregate). Once again, this portfolio met its mandate—tracking or beating the total return performance of the benchmark while delivering an attractive yield.

WisdomTree Global Multi-Asset Income Moderate Model Portfolio

4.32%

Model 12-Month Dividend Yield
(As of 12/31/2022)

0.34%

Model Expense Ratio

12/31/2016

Inception date

57%

Equity

40%

Fixed Income

3%

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 Global Multi-Asset Income Moderate Model Portfolio (NAV)	-2.09%	8.02%	-9.53%	-9.53%	1.38%	3.03%	-	4.74%
WisdomTree Global Multi-Asset Income Moderate Model Portfolio (MP)	-2.38%	8.26%	-9.50%	-9.50%	1.38%	2.98%	-	4.72%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	-1.60%	9.25%	-9.54%	-9.54%	1.31%	2.45%	-	4.01%

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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Multifactor

The multifactor model is a different animal than the global dividend or global multi-asset income models. This portfolio is designed to improve the risk factor diversification of an overall portfolio while still attempting to deliver a superior total return.

We offer a U.S., developed international and emerging markets version of the multifactor model. Since it is the most widely used, we will focus on the U.S. version.

The underlying allocations within this portfolio all have various factor tilts, focusing primarily on value, quality, earnings and size. In a year in which value and size outperformed broad cap-weighted benchmarks, you might imagine that this portfolio performed quite well on a relative basis—and you would be correct.

This portfolio outperformed its primary benchmark, the Russell 3000 Index (a broad market U.S. Index incorporating large-, mid- and small-cap stocks) by more than 600 basis points (6%) while also beating its secondary benchmark, the MSCI US Multi-Factor Index, by almost 300 basis points (3%).

We saw similar, though more subdued, outperformance by the developed international and emerging markets multifactor models relative to their primary broad market indexes.

WisdomTree U.S. Factor Portfolio

1.95% Model 12-Month Dividend Yield (As of 12/31/2022)	0.20% Model Expense Ratio	10/31/2017 Inception date	100% Equity
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[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 US Factor Portfolio (NAV)	-5.35%	9.76%	-13.10%	-13.10%	5.89%	7.29%	-	7.89%
WisdomTree US Factor Portfolio (MP)	-5.27%	9.74%	-13.15%	-13.15%	5.90%	7.25%	-	7.87%
Russell 3000	-5.86%	7.18%	-19.21%	-19.21%	7.07%	8.79%	-	9.33%
MSCI US Diversified Multi Factor	-6.06%	9.06%	-16.02%	-16.02%	5.07%	5.57%	-	6.11%

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Volatility Management

Last but by no means least, we come to our volatility management portfolio. This portfolio consists of several non-traditional or alternative strategies, including diversified arbitrage, hedged equity, short bias, managed futures and equity long/short. The portfolio was constructed to have lower correlations to both stocks and bonds and also to be diversified between the strategies themselves.

The mandate is to deliver a diversifying “sleeve” within an overall portfolio in an attempt to lower portfolio volatility and improve performance consistency regardless of market regime, but especially in down markets. (Remember the power of compounding—if you don’t lose as much in down markets, you don’t have to make as much in up markets to still come out ahead.)

In part one of this series, we reviewed our endowment model, which includes both real assets and alternatives. In essence, the volatility management model is designed as a complement to a more traditional stock/bond portfolio to allow advisors to deliver a more “endowment-like” experience.

We use the 3-Month Treasury bill as a proxy benchmark for this portfolio, under an assumption that advisors could simply move to cash if they are looking to “de-risk” the portfolio. The difference is that the volatility management model gives the advisor some potential for upside versus simply moving to cash.

In a year in which the Fed raised rates aggressively, 3-Month Treasuries were up 1.50% in 2022. So, in one sense, we underperformed. But in comparison to the dramatic market declines, the addition of this model to a broader model would have served its purpose—dampen volatility and “smooth out” an otherwise very bumpy ride.

WisdomTree Volatility Management Portfolio

2.09%

Model 12-Month Dividend Yield

(As of 12/31/2022)

0.74%

Model Expense Ratio

08/08/2017

Inception date

80%

Alternative

20%

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 Volatility Management Portfolio (NAV)	-0.66%	2.36%	-2.14%	-2.14%	1.24%	0.32%	-	1.02%
WisdomTree Volatility Management Portfolio (MP)	-0.73%	2.35%	-2.27%	-2.27%	1.16%	0.22%	-	0.97%

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

We built our outcome-focused models to serve specific purposes for advisors seeking specific investment outcomes. On a relative basis, 2022 was a good year for these models—they did their jobs in an awful market environment. We believe we have good foundations to build on as we move through 2023.

In part three, the final of this series, we will examine the performances of our collaboration models.

Financial advisors can learn more about these models, and how to successfully position them 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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