The WisdomTree Q2 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 “miniseries” 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 be and are used as stand-alone models by some of our advisor clients. But most advisors view them as complementary “sleeves” to an already existing portfolio 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 an optimal level of risk-adjusted 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 the market regime.

Q1 was a tough quarter for dividend payers relative to the broader, cap-weighted market as interest rates fell and investors piled back into large-cap growth stocks.

Source: YCharts, YTD as of 4/20/23. You cannot invest in an index, and past performance does not guarantee future results.

As of March 31, 2023, the 12-month dividend yield on this portfolio was 3.98%. This compares favorably to a dividend yield of 3.52% on the benchmark MSCI ACWI Value Index on that same date.1 At the same time, its total return performance of 2.55% (NAV) resoundingly beat its benchmark by ~125 basis points (bps). In other words, 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 03/31/2023) | **0.35%** Model Expense Ratio | **12/18/2013** Inception date | **100%** Equity

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

As of 3/31/2023	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)	0.23%	2.55%	2.55%	-4.17%	16.03%	6.14%	-	6.49%
WisdomTree Global Dividend Model Portfolio (MP)	0.39%	2.66%	2.66%	-3.99%	16.19%	6.01%	-	6.42%
MSCI ACWI Value	-0.35%	1.24%	1.24%	-5.50%	15.24%	4.27%	-	4.77%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **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 the most recent month-end performance, please click here.

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 currently allocates to MLPs, a traditionally higher-yielding asset.

MLPs as an asset class somewhat stabilized in Q1 after a torrid rally for most of 2022. Our allocation added modestly to the total return performance (though it did not keep up with the S&P 500 Index), but it did help 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 March 31, 2023, the 12-month forward dividend yield on this portfolio was 4.25%, while our total return performance solidly beat its underlying Index (60% MSCI ACWI Value + 40% Bloomberg U.S. Aggregate). Once again, this portfolio met its mandate—tracking or beating the total return performance of the benchmark while delivering enhanced yield.

WisdomTree Global Multi-Asset Income Moderate Model Portfolio

4.25%
Model 12-Month Dividend Yield
(As of 03/31/2023)

0.34%
Model Expense Ratio

12/31/2016
Inception date

57% | 40% | 3%
Equity | Fixed Income | Alternative

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

As of 3/31/2023	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)	0.65%	2.98%	2.98%	-4.29%	9.31%	3.97%	-	5.04%
WisdomTree Global Multi-Asset Income Moderate Model Portfolio (MP)	0.82%	3.04%	3.04%	-4.14%	9.64%	3.90%	-	5.03%
60% MSCI ACWI Value - 40% Bloomberg U.S. Aggregate Bond Index	0.81%	1.94%	1.94%	-4.99%	7.95%	3.28%	-	4.17%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **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, momentum and size. As you might imagine, these tilts did not help us in Q1, a quarter driven by large-cap growth and tech stocks.

This portfolio underperformed its primary benchmark, the Russell 3000 Index (a broad market U.S. Index incorporating large-, mid- and small-cap stocks) by roughly 240 bps (2.4%), though it beat its secondary benchmark, the MSCI U.S. Multifactor Index, by roughly 40 bps.

While we use it as a secondary benchmark since it is less well-known, we believe the MSCI U.S. Diversified Multifactor Index is more representative of our actual investment approach with this model, so we were pleased with our modest outperformance.

We saw similar underperformance by the developed international model, but our emerging markets model outperformed its benchmark by almost 200 bps.

WisdomTree U.S. Factor Portfolio

1.93%	0.20%	10/31/2017	100%
Model 12-Month Dividend Yield (As of 03/31/2023)	Model Expense Ratio	Inception date	Equity

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

As of 3/31/2023	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)	0.85%	4.81%	4.81%	-5.36%	18.48%	8.38%	-	8.45%
WisdomTree US Factor Portfolio (MP)	0.84%	4.78%	4.78%	-5.54%	18.51%	8.33%	-	8.43%
Russell 3000	2.67%	7.18%	7.18%	-8.58%	18.48%	10.45%	-	10.29%
MSCI US Diversified Multi Factor	1.68%	4.43%	4.43%	-8.42%	16.26%	6.62%	-	6.67%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **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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Volatility Management

Last but by no means least, we come to our volatility management portfolio. This portfolio consists of several nontraditional 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 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 the 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.

This model performed well in Q1—up 2.63% versus a 3-Month Treasury Bill return of 1.07%. Furthermore, this "sleeve" portfolio performed admirably in 2022—advisors who included it were very happy they did so, as it helped to build a more "all-weather" allocation in an otherwise horrible year.

Our short-biased and diversified arbitrage strategies did not help us in Q1, but our allocations to hedged equity and managed futures were positive contributors. The addition of this model to a broader model would have served its purpose—dampen volatility and "smooth out" overall performance.

WisdomTree Volatility Management Portfolio

2.56%
Model 12-Month Dividend Yield
(As of 03/31/2023)

0.50%
Model Expense Ratio

08/08/2017
Inception date

80% | 20%
Alternative | Equity

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

As of 3/31/2023	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)	2.41%	2.63%	2.63%	0.96%	3.47%	0.90%	-	1.44%
WisdomTree Volatility Management Portfolio (MP)	2.43%	2.65%	2.65%	1.01%	3.42%	0.83%	-	1.40%
ICE BofA US 3-Month Treasury Bill Index	0.43%	1.07%	1.07%	2.50%	0.89%	1.41%	-	1.39%

Source: WisdomTree Model Adoption Center, as of 3/31/23. **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, Q1 2023 was a relatively good showing—they did their jobs in a unique market environment.

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

1 Source: MSCI, “MSCI ACWI Value Index (USD),” https://www.msci.com/documents/10199/9446b2a4-0820-495e-87e1-6291f7530293

Important Risks Related to this Article

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