U.S. Multifactor in Volatile Times

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After the Russell 3000 Index rose an impressive 25.66% last year, the index has now fallen close to 20% from its January 3, 2022, peak and is now flat over the last 17 months.

During this period of high volatility, strategies targeting factor diversification and lower volatility have exhibited differentiated performance and reduced correlation to equity market swings.

WisdomTree U.S. Multifactor Fund

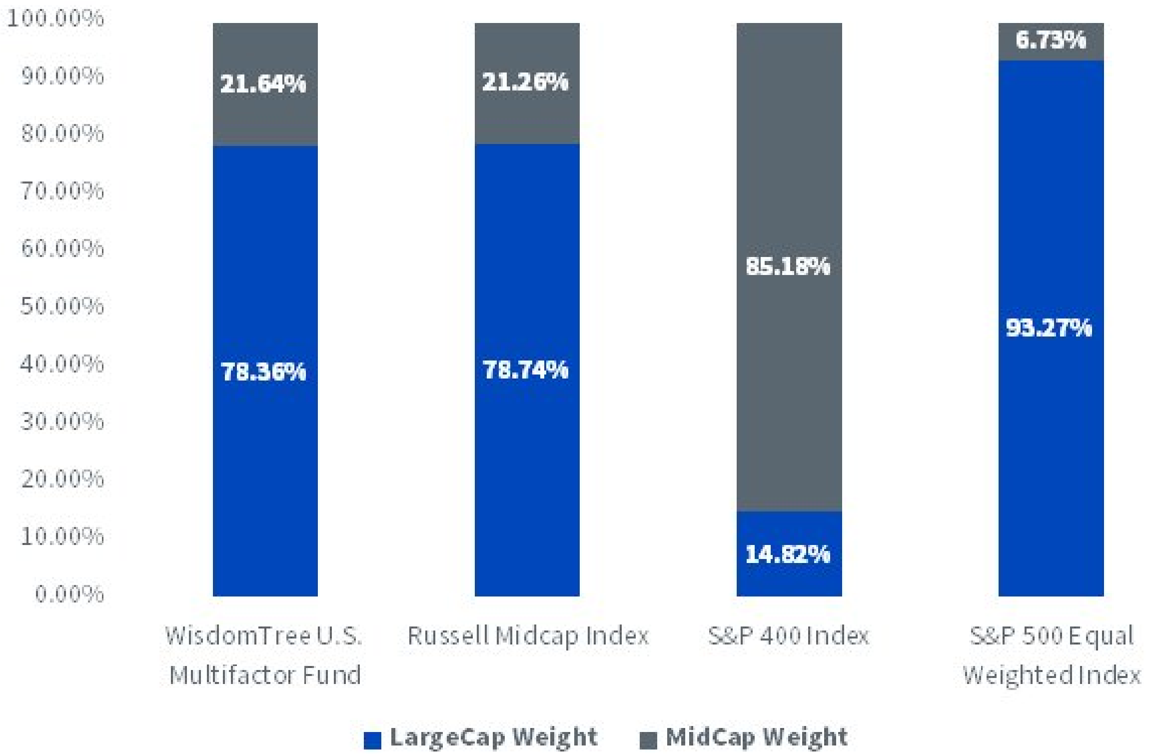
The WisdomTree U.S. Multifactor Fund (USMF) seeks to provide investors with a consistent exposure to six investment factors that academic research has demonstrated have tended to outperform the broad market in both absolute and risk-adjusted terms over longer periods.

USMF uses a composite score to rank companies by low correlation, momentum, quality and value, and selects the top 200 out of the 800 largest U.S. companies.

These stocks are then weighted by a composite multifactor score and the inverse of their recent volatility, giving investors an inherent exposure to the size and low volatility factors.

In the graph below we can see how USMF's market cap exposure is comparable to the Russell Midcap Index.

MarketCap Exposure



Sources: WisdomTree, FactSet. Data as of 04/29/22. You cannot invest directly in an index.

This combination of factors in the underlying index methodology results in a basket with attractive valuation, growth and profitability metrics that stacks up well against other funds in the mid-cap core category—where it is classified by style analytics firms like Morningstar.

Contrasting USMF's fundamentals to comparable benchmarks, we can see the effectiveness of the multifactor methodology implemented.

USMF has significantly lower trailing- and forward-valuation metrics and more attractive distributions to investors in the form of net buyback yield. The profitability of USMF's basket exceeds its benchmarks, and looking at trailing three-year sales and earnings numbers, we can see that constituents selected for the basket have shown solid growth over the period.

Metric	WisdomTree U.S. Multifactor Fund	Russell Midcap Index	S&P 400 Index	S&P 500 Equal Weighted Index
Net Buyback Yield	3.8%	1.1%	1.5%	1.8%
Shareholder Yield	5.4%	2.4%	2.9%	3.4%
P/E Ratio	13.1	22.1	15.3	19.5
Fwd. P/E Ratio	12.8	17.4	14.0	16.6
Return on Equity	19.9%	13.5%	15.5%	15.5%
Return on Asssets	4.8%	3.0%	3.5%	3.4%
Median 3-Yr Sales Growth	6.2%	6.4%	5.8%	5.7%
Median 3-Yr Earnings Growth	15.4%	13.3%	12.3%	11.1%

Sources: WisdomTree, FactSet. Data as of 04/29/22. Past performance is not indicative of future results. You cannot invest directly in an index.

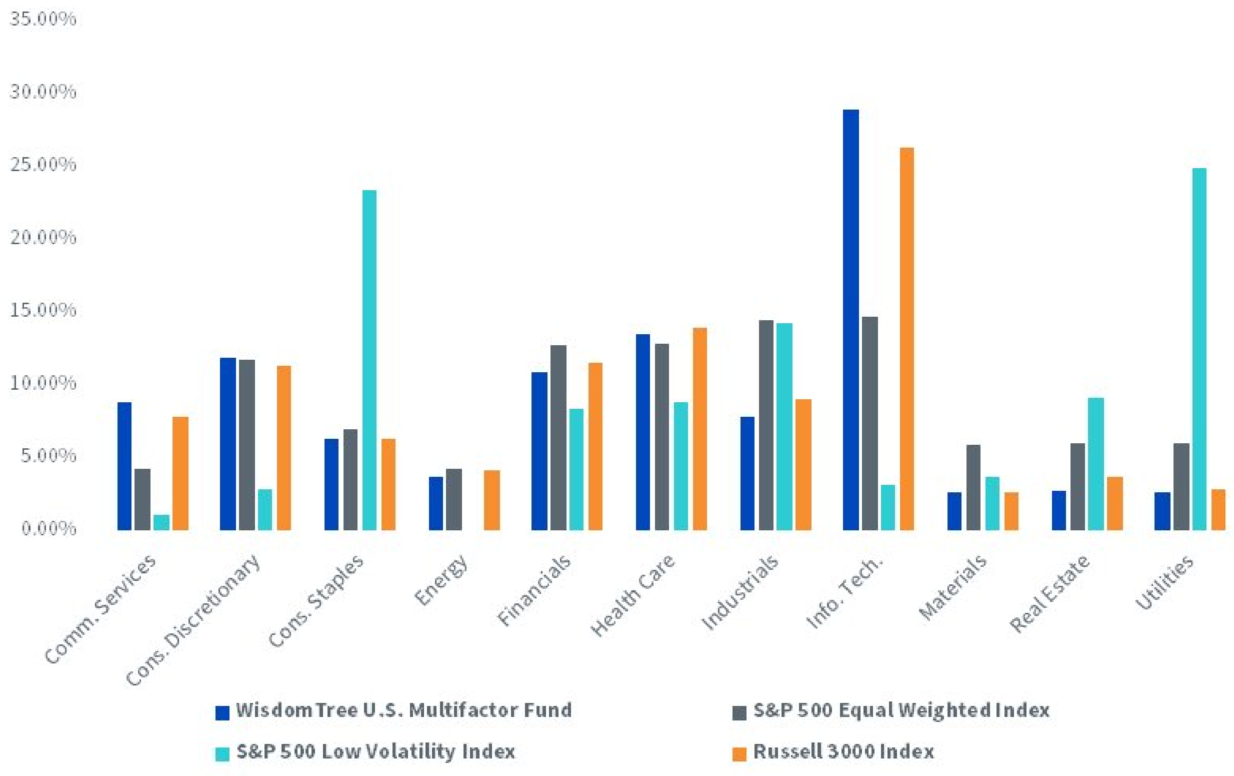
Not the Low Volatility You're Used to…

There have been several criticisms to using low volatility as a stand-alone factor.

The first is that it has not generated absolute excess returns versus the market over the last 50-plus years.

Second, historically, the low-volatility factor has been extremely sensitive to interest rates, generally underperforming in rising rate environments due to its increased exposures to the Utilities, Real Estate and Consumer Staples sectors. USMF maintains sector neutrality to the broad market, reducing its interest rate sensitivity while keeping a low volatility tilt stemming from its portfolio construction methodology.

Sector Exposures



Sources: WisdomTree, FactSet. Data as of 04/29/22. You cannot invest directly in an index.

Even though USMF is not using low volatility as an alpha-seeking factor, we are aware of its prowess in risk-adjusted terms and therefore use it as part of our strategy's weighting mechanism.

Also, given some of our factor definitions, like risk-adjusted returns for momentum, the composite multi-factor score rewards lower volatility companies and implicitly tilts the strategy toward this factor.

Bottom Line: 5-Star Performance

USMF's combination of alpha seeking factors and low volatility tilt in its weighting have paid off with strong relative performance versus its mid-cap blend benchmarks.

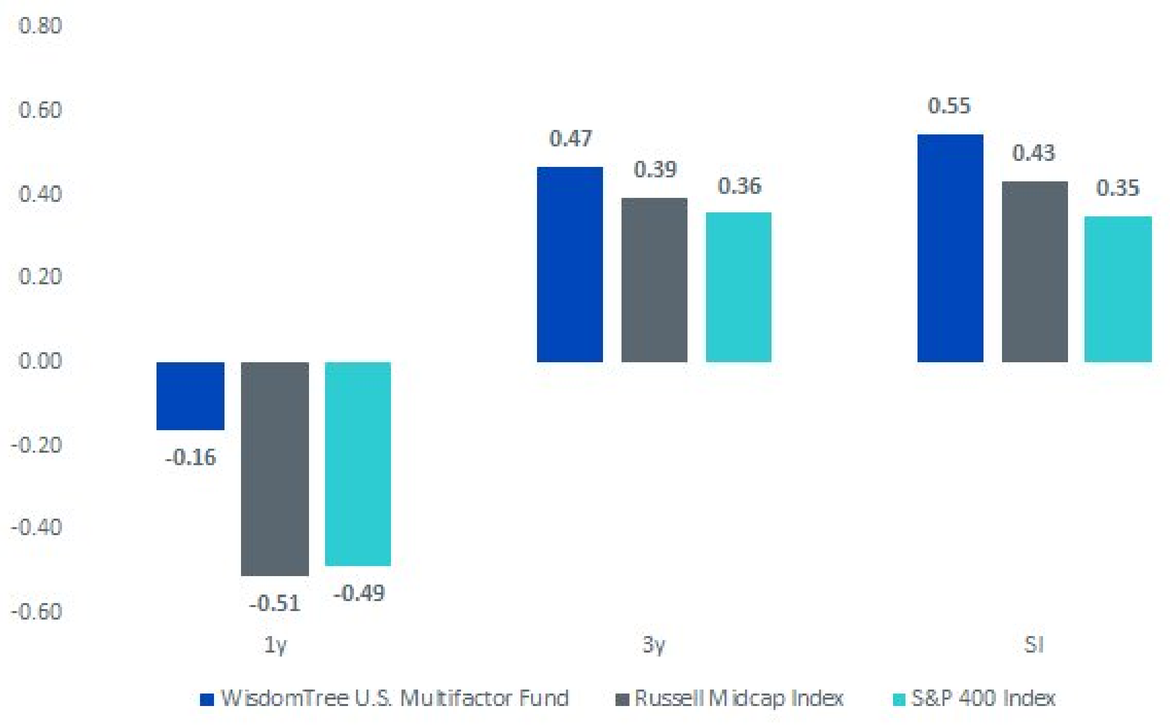
Annualized Return	1yr	3yr	Since Inception
WisdomTree U.S. Multifactor Fund	-2.50%	10.36%	10.43%
Russell Midcap Index	-9.82%	10.01%	9.41%
S&P 400 Index	-9.91%	9.98%	8.27%

Sources: WisdomTree, FactSet. Data as of 04/29/22. You cannot invest directly in an index. **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.** 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.

For the most recent standardized performance, 30-day SEC yield and month-end performance click here.

Since its inception on June 29, 2017, almost five years ago, USMF has exhibited higher absolute and risk-adjusted returns than the S&P 400 and Russell Midcap indexes.

Risk-Adjusted Returns



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With volatility expected to continue in the near term, USMF can be an interesting way of positioning a multi-factor exposure to the core of your portfolio.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Investing in a Fund exposed to particular sectors increases the vulnerability to any single economic, political or regulatory development. This may result in greater share price volatility. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.