

WisdomTree Managed Futures Strategy—2023 in Review

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Most managed futures strategies aim to generate returns by employing leverage and having a high degree of concentration in individual contracts and asset classes.

In 2022, the industry benefited from this leverage and continuing trend in rates and currencies, which saw a strong reversal during 2023.

The [WisdomTree Managed Futures Strategy Fund \(WTMF\)](#) is diversified across asset classes, does not use leverage and aims to deliver lower volatility and improved risk-adjusted returns. The strategy uses a comprehensive list of 21 commodities and individually determines long-short positions derived by subsector-specific momentum signals.

This approach contributed to the strategy having lower volatility than its peers and outperforming its benchmark, which is constructed by combining 60% in the S&P 500 Index and 40% in the Bloomberg U.S. Aggregate Index (S&P60/AGG40), on both a risk-adjusted and absolute basis over 2023.

WisdomTree Managed Futures Strategy Fund (WTMF)

[WTMF](#) aims to outperform the S&P60/AGG40 benchmark on a risk-adjusted basis, while having low correlation to major asset classes like equities and bonds. [WTMF](#) has a target exposure to five asset classes with the weights listed in the table below. Exposure to each asset class, and contracts within asset class, is derived by [subsector-specific momentum signals](#).

Asset Class	Target Exposure
Equities	40%
Commodities	37%
Currencies	10%
Rates	10%
Bitcoin	3%

Since the [strategy's revamp in May 2021](#) [WTMF](#) has outperformed the S&P60/AGG40 benchmark while exhibiting much lower volatility. The Sharpe ratio of [WTMF](#) has been 0.49 compared to 0.29 for the S&P60/AGG40 benchmark for the period beginning May 2021 and ending December 2023. Despite markets showing meaningfully different drivers in 2022 and 2023, [WTMF](#) managed to generate consistent outperformance versus its benchmark in both years.



Sources: WisdomTree, FactSet, data 5/31/21–12/31/23.

Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance and to download the respective Fund prospectuses, [click here](#).

Performance in 2023

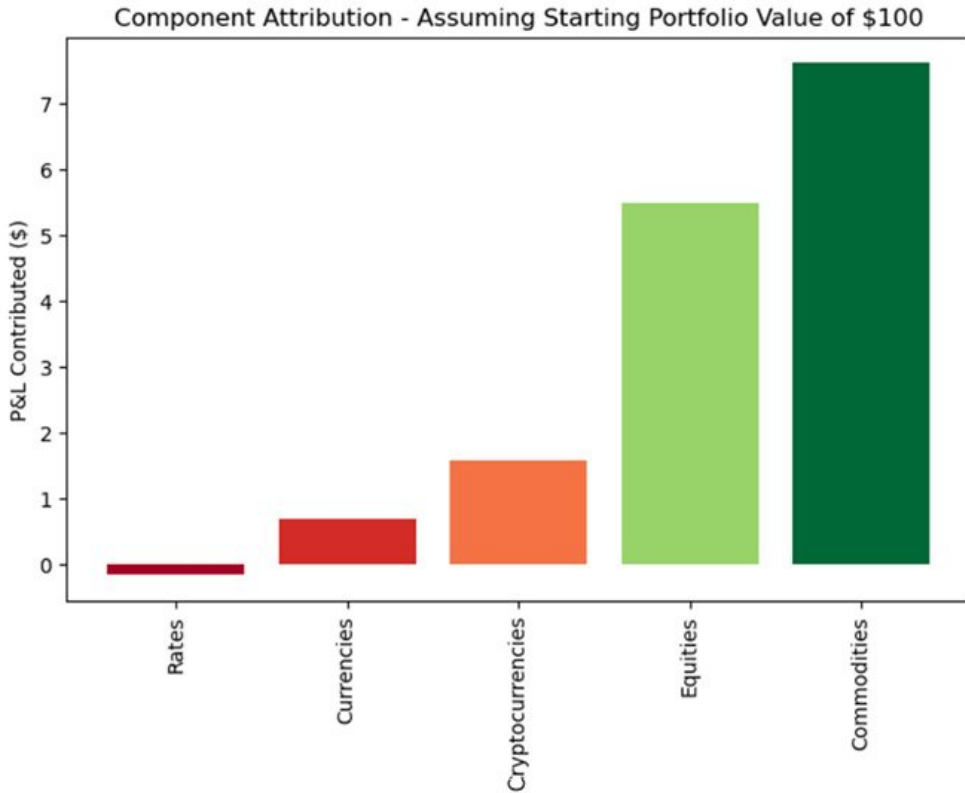
In 2023, the strategy ranked at the top among its peer group according to Morningstar,1 returning 16.16%. Notably, the strategy also had a Sharpe ratio of 2.82 compared to 1.75 for the S&P60/AGG40 benchmark.

Morningstar Category: Systematic Trend. Overall rank based on 66 funds in category, 3-year percentile rank based on 66 funds in category, 5-year percentile rank based on 64 funds in category, 10-year percentile rank based on 41 funds in category. As of 12/31/23. The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three- and five-year Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns.



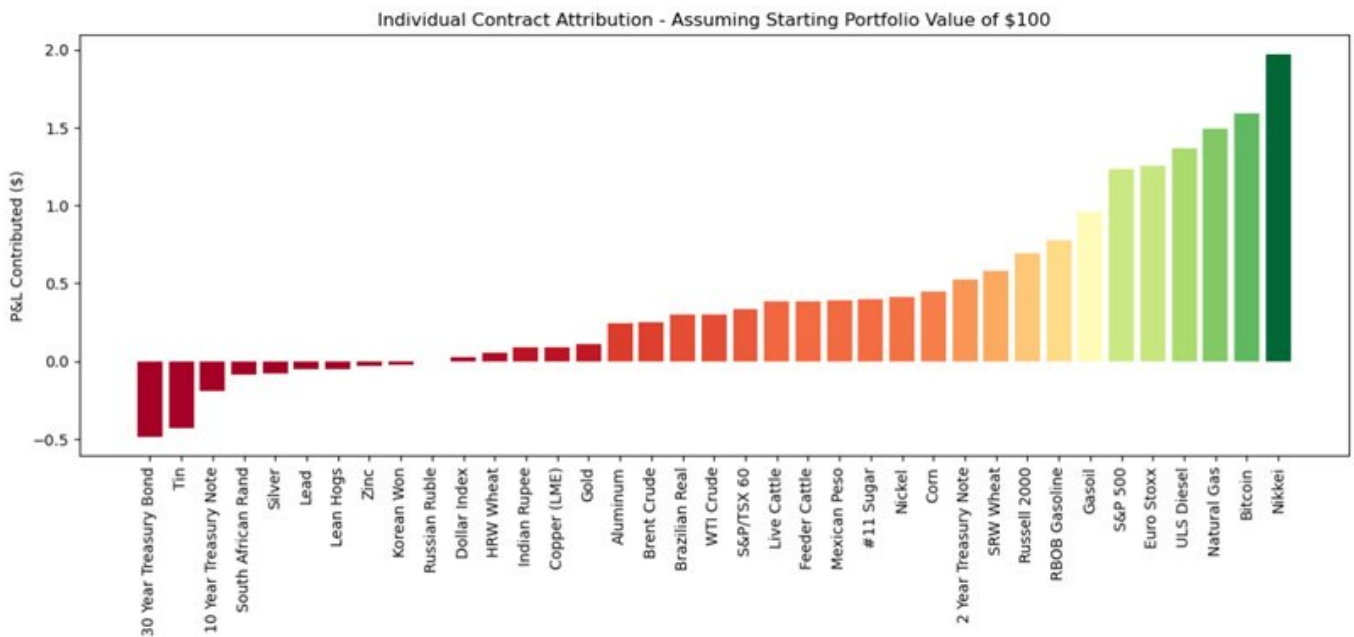
Sources: WisdomTree, FactSet, data12/31/22–12/31/23.

In 2023, all asset classes within the strategy contributed to performance with both equities and commodities leading the way. This information is updated on a quarterly basis and published in our online Attribution Report.



Sources: WisdomTree, FactSet, data 12/31/22–12/31/23.

If we click into each one of the asset classes and look at individual contracts, we can see their contribution to performance. It is good to see that, for the full year in 2023, most individual contracts contributed to performance, showing the effectiveness of momentum indicators that are selected according to subsector.



Sources: WisdomTree, FactSet, data 12/31/22–12/31/23.

Conclusion

WTMF provides investors with differentiated returns compared to the rest of the funds in the category. With a combination of macro signals and momentum indicators that are specific to each subsector for individual contracts, the strategy aims to blend macroeconomic outlook with idiosyncratic signals to achieve superior risk-adjusted returns relative to its S&P60/AGG40 benchmark.

A traditional S&P60/AGG40 portfolio aims to provide investors with exposure to equities with downside mitigation through an allocation to Treasuries.

We've made the case for the efficient use of capital through a leveraged S&P60/AGG40 portfolio, building on the [seminal research of Cliff Asness](#), launching the [WisdomTree U.S. Efficient Core Fund \(NTSX\)](#) in 2018. A leveraged S&P60/AGG40 portfolio, combined with an alternative asset class such as managed futures, can allow investors to deploy their capital more efficiently than with traditional asset allocation.

With one of the lowest volatilities in its peer group and low correlations across its underlying asset classes, **WTMF** makes for an appealing allocation to improve diversification and risk-adjusted performance of an investor's overall portfolio.

Correlation Matrix						
Asset Class	WTMF	Commodities	Equities	Currencies	Rates	Bitcoin
WTMF	1.00	0.45	0.42	0.10	-0.08	0.22
Commodities	0.45	1.00	0.28	0.16	-0.04	0.13
Equities	0.42	0.28	1.00	0.26	0.03	0.37
Currencies	0.10	0.16	0.26	1.00	0.06	0.10
Rates	-0.08	-0.04	0.03	0.06	1.00	0.04
Bitcoin	0.22	0.13	0.37	0.10	0.04	1.00

Sources: WisdomTree, FactSet, as of 12/31/23.

1 Source: Morningstar, as of 12/31/23.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. An investment in this Fund is speculative, involves a substantial degree of risk, and should not constitute an investor's entire portfolio. One of the risks associated with the Fund is the complexity of the different factors which contribute to the Fund's performance, as well as its correlation (or non-correlation) to other asset classes. These factors include use of long and short positions in commodity futures contracts, currency forward contracts, swaps and other derivatives. Derivatives can be volatile and may be less liquid than other securities and more sensitive to the effects of varied economic conditions. In addition, bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. While the bitcoin futures market has grown substantially since bitcoin futures commenced trading, there can be no assurance that this growth will continue. The Fund should not be used as a proxy for taking long only (or short only) positions in commodities or currencies. The Fund could lose significant value during periods when long only indexes rise (or short only) indexes decline. The Fund's investment objective is based on historic price trends. There can be no assurance that such trends will be reflected in future market movements. The Fund generally does not make intra-month adjustments and therefore is subject to substantial losses if the market moves against the Fund's established positions on an intra-month basis. In markets without sustained price trends or markets that quickly reverse or "whipsaw," the Fund may suffer significant losses. The Fund is actively managed thus the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this 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.

Morningstar percentile rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category, which includes both mutual funds and ETFs and does not include the effect of sales charges. Fund performance used within the ranking reflects certain fee waivers, without which returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100. Past performance does not guarantee future results.

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