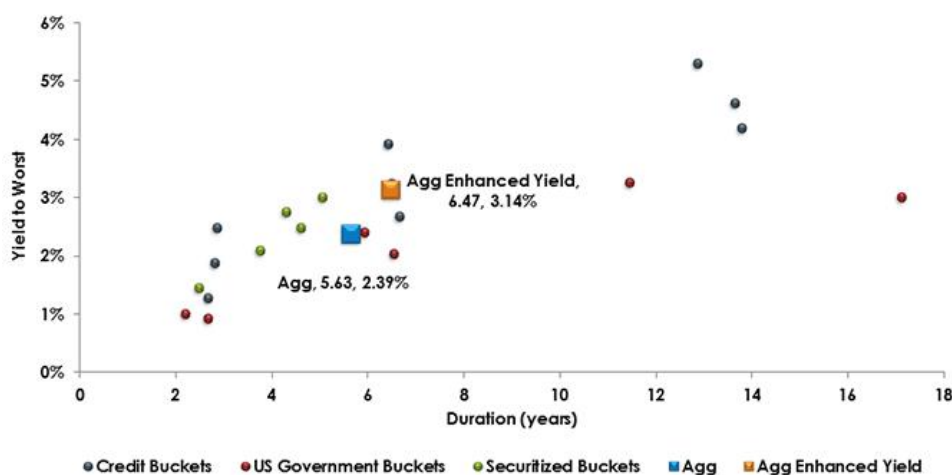


AGGY: LOOKING WITHIN THE BARCLAYS U.S. AGGREGATE INDEX TO ENHANCE INCOME

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For many investors, the [Barclays U.S. Aggregate Bond Index](#) serves as the most recognized benchmark for fixed income returns. However, in the low-[interest rate](#) environment of recent years, investors have increasingly looked outside the Agg to supplement income in meeting their investment goals. In doing so, they introduce additional risks and different sources of [volatility](#) that need to be carefully understood. In response, WisdomTree collaborated with Barclays to create a rules-based index—the [Barclays U.S. Aggregate Enhanced Yield Index](#) (Agg Enhanced Yield)—that broadly retains the risk characteristics of the Agg while enhancing the income potential of the portfolio. **Enhancing Income Potential of the Agg** Yield can typically be increased by shifting exposure along any of a number of risk dimensions, including sector exposure ([Treasury](#), [agency](#), [credit](#), [securitized](#)), [interest rate risk \(duration\)](#) and [credit risk](#). The Agg Enhanced Yield uses a rules-based approach to reallocate across 20 distinct subcomponents in the Agg, seeking to enhance yield while maintaining a similar risk profile. This strategy allows an investor to focus on the [investment-grade](#) credit universe, without having to dip into the [high-yield](#) segment of the market to enhance [yield](#) potential. **Yield and Duration**



Source: Barclays, as of 6/30/15. Past performance is not indicative of future results. You cannot invest directly in an index. Yield to worst: The rate of return generated assuming a bond is redeemed by the issuer on the least desirable date for the investor.

Comparison, June 30, 2015

As we show above, the Agg provides a variety of opportunities for income across various sectors and interest rate risk profiles. • Across the [yield curve](#), debt guaranteed by the U.S. government tends to have the lowest levels of yield per unit of interest rate risk. • Next, [securitized debt](#) or bonds backed by a pool of receivables such as mortgages can provide a modest lift in yield in exchange for the slightly higher probability that the borrower may default. • Finally, investment-grade credit can provide an additional increase in yield compared to credit risk-free Treasury debt. In our view, many investors may fail to realize that the Agg could provide greater opportunities for return once they take a closer look at the individual components. However, if investors simply allocated based on yield, the portfolio would be significantly over-weight credit and interest rate risk. In our view, this naïve approach to fixed income does little to enhance an investor's prospects for return. Through our approach to the Agg, when a variety of constraints focused on risk management are applied, the output of the Index methodology resulted in a portfolio with an additional 75 [basis](#)

[points \(bps\)](#) of income potential, while retaining a similar interest rate risk profile to that of the Barclays Agg.¹ This incremental yield advantage is typically achieved through increased exposure to corporate and securitized debt and reduced exposure to U.S. Treasury securities. The implementation of relative sector and quality constraints, however, also helps the Index preserve the diversification potential of a broad-based, core fixed income strategy. **There's an Exchange-Traded Fund for That** With the launch of the [WisdomTree Barclays U.S. Aggregate Bond Enhanced Yield Fund \(AGGY\)](#) on July 9, 2015 WisdomTree packaged this unique approach in an exchange-traded fund (ETF). AGGY is listed on the New York Stock Exchange with a net expense ratio of just 12 bps.² By searching for income within the investment-grade universe, AGGY could represent a step forward for investors looking to generate greater income potential while broadly retaining the risk characteristics of familiar core fixed income portfolios. ¹Source: Barclays, as of 6/30/15. Income potential comparison based on the [yield to maturity](#) of the Barclays U.S. Aggregate Index and the Barclays U.S. Aggregate Enhanced Yield Index. ²Gross expense ratio 0.20%. The net expense ratio reflects a contractual waiver of 0.08% through 12/31/16. Ordinary brokerage commissions apply.

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You cannot invest directly in an index.

DEFINITIONS

Barclays U.S. Aggregate Bond Index, 1-3 Year : This index is the 1-3 Yr component of the U.S. Aggregate index.

Interest rates : The rate at which interest is paid by a borrower for the use of money.

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Bloomberg Barclays U.S. Aggregate Enhanced Yield Index : a constrained, rules-based approach that reweights the sector, maturity, and credit quality of the Barclays U.S. Aggregate Index across various sub-components in order to enhance yield.

Treasury : Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

Agency : a debt security issued by a U.S. government-sponsored entity such as FNMA, FHLB, and SLMA.

Credit : A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future.

Securitized : a debt security whose value is backed by an asset or pool of assets such as a mortgage.

Interest rate risk : The risk that an investment's value will decline due to an increase in interest rates.

Duration : A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.

Credit risk : The risk that a borrower will not meet their contractual obligations in conjunction with an investment.

Investment grade : An investment grade is a rating that signifies a municipal or corporate bond presents a relatively low risk of default.

High Yield : Sometimes referred to as "junk bonds," these securities have a higher risk of default than investment-grade securities.

Yield : The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

Yield curve : Graphical Depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.

Basis point : 1/100th of 1 percent.

Yield To Maturity : Portfolio Yield to Maturity represents the weighted average yield to maturity of a Fund's investments in money market securities and fixed income securities as a specified date. Yield to maturity is the rate of return generated on these securities, assuming interest payments and capital gains or losses as if the instrument is held to maturity. The weighted average yield is calculated based on the market value of each security. The calculation does not incorporate yield from any derivative instruments that are part of the Fund's investments.