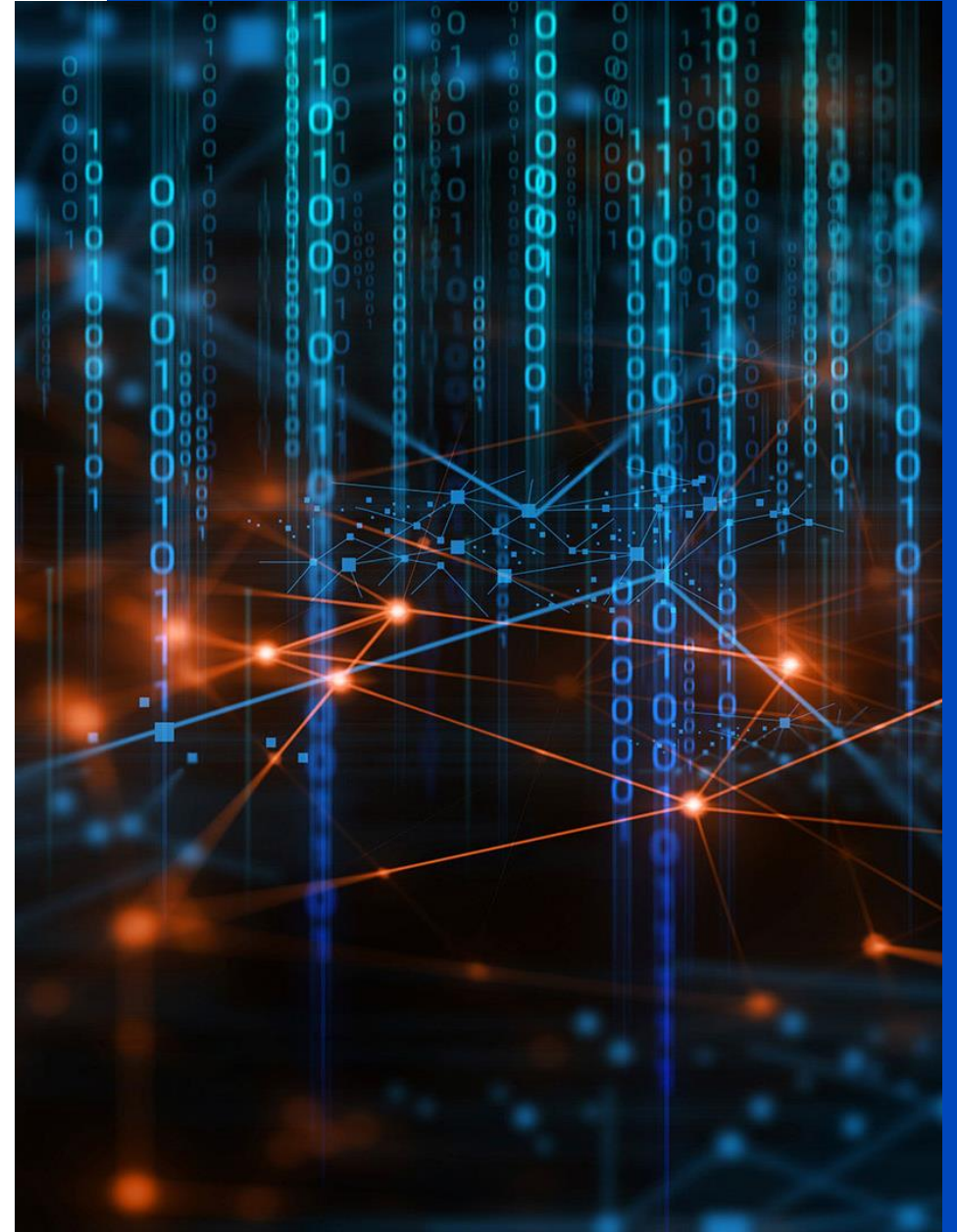




# WisdomTree Model Portfolio Investment Committee

**Q4 2024 Quarterly Strategic Outlook**



# WisdomTree's Model Portfolio Investment Committee



## **Professor Jeremy Siegel, PhD**

Senior Economist to WisdomTree  
Russell E. Palmer Emeritus Professor of  
Finance, The Wharton School



## **Jeremy Schwartz, CFA**

Global Chief Investment Officer



## **Rick Harper**

Chief Investment Officer of Fixed  
Income and Model Portfolios



## **Kevin Flanagan**

Head of Fixed Income Strategy



## **Joseph Tenaglia, CFA**

Director, Model Portfolios



## **Andrew Okrongly, CFA**

Director, Model Portfolios

**\$3.5B**  
MODEL PORTFOLIO  
ASSETS

**10+ YEARS**  
GIPS TRACK RECORD

**30+**  
PROFESSIONALS ON  
GLOBAL RESEARCH TEAM

**15+**  
PhD and CFA  
DESIGNATIONS

Source: WisdomTree, as of September 30, 2024.

Strategic allocations with flexibility to deviate up to **+/- 10% from targets**

**Global equity portfolios** with roughly 65% U.S., 35% International

**Core-plus approach to fixed income** with duration management, quality-screened credit

**“Open-architecture”** utilizing WisdomTree and third-party products

**ETF-focused** to optimize cost and tax efficiency

**Typically 3-4** changes made to target weights per year

Source: WisdomTree, as of September 30, 2024.

# Q4 2024 Strategic Investment Themes



## Sourcing quality income across asset classes

- + Fed rate cuts to reinforce broader equity market participation and investor rotation into value and dividend-paying stocks
- + All-in yields remain attractive on investment grade and high yield credit
- + Spreads on securitized assets offer attractive income above Treasuries

## Strategic overweights to U.S. and Japanese equities

- + U.S. economic data is gradually slowing, but the Fed is cutting rates and stands ready to provide greater support in the event of more severe weakness
- + The positive fundamental case for Japan remains intact: a boom in earnings growth, mild inflation, and corporate reforms focused on profitability and shareholder returns

## Money in motion in a *New Rate Regime*

- + While the Fed is cutting rates, yields are starting from much higher levels than the last policy easing cycle
- + We continue to like Treasury floating rate notes, which still offer attractive income, paired with longer-term bonds to balance any maturity mismatch with benchmarks

**Overweight** dividend paying stocks and companies with strong profitability metrics

**Overweight** agency mortgage-backed securities (MBS) and quality-screened corporate credit

**Overweight** U.S. and Japanese equities

**Underweight** broader developed and emerging markets

**Neutral** duration via a **barbell strategy**, which balances allocations to short-term/floating rate strategies with attractively priced medium/long-term bonds

Source: WisdomTree, as of September 30, 2024.

# Q4 2024 Quarterly Strategic Outlook



## Economy

- + The U.S. economy is showing signs of slowing from above-average growth levels coming out of the pandemic
- + Inflation has continued to moderate, with lagged housing data driving a large percent of increases in the official CPI prints
- + Using more real time data for housing, we see headline inflation running just 1.2%, half the officially reported figure
- + Against this backdrop, we continue to expect the U.S. economy to produce modest growth over the coming quarters

## Equities

- + We remain overweight U.S. equities with tilts towards dividend payers and companies that rank highly on profitability metrics
- + Value stocks are priced at significant discounts vs. growth stocks, and the Fed cutting cycle may invigorate a broadening out market rotation beyond mega cap technology names
- + After significant volatility in August, we continue to have a constructive view on Japan, which is benefiting from significant corporate governance reform, improved market sentiment, and positive investment flows

## Fixed Income

- + We are neutral from a duration standpoint
- + While the Fed is cutting rates, yields are starting from much higher levels than were observed throughout the prior decade
- + We remain allocated to short-duration bonds, including Treasury floating rate notes, and continue to suggest investors utilize barbell strategies within bond portfolios
- + The resiliency in the economic landscape provides a supportive environment for US credit, but spreads have largely priced this in
- + We see better valuation prospects in securitized assets, and are overweight agency mortgage-backed securities

## Alternatives

- + For investors that are hesitant to reduce their allocation to equities and fixed income, efficient core strategies may provide an innovative solution to free up capital for alternative strategies

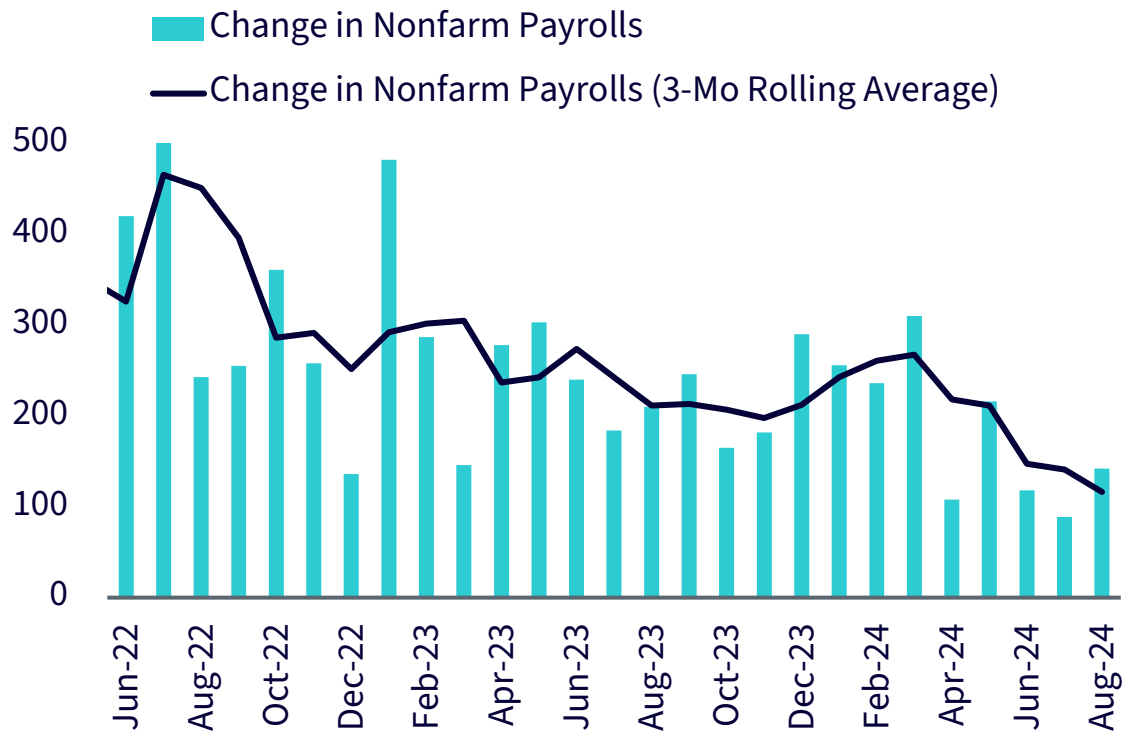
Source: WisdomTree, as of September 30, 2024.

A cooling job market and sustained disinflation has given the Fed a green light to cut rates



Economy

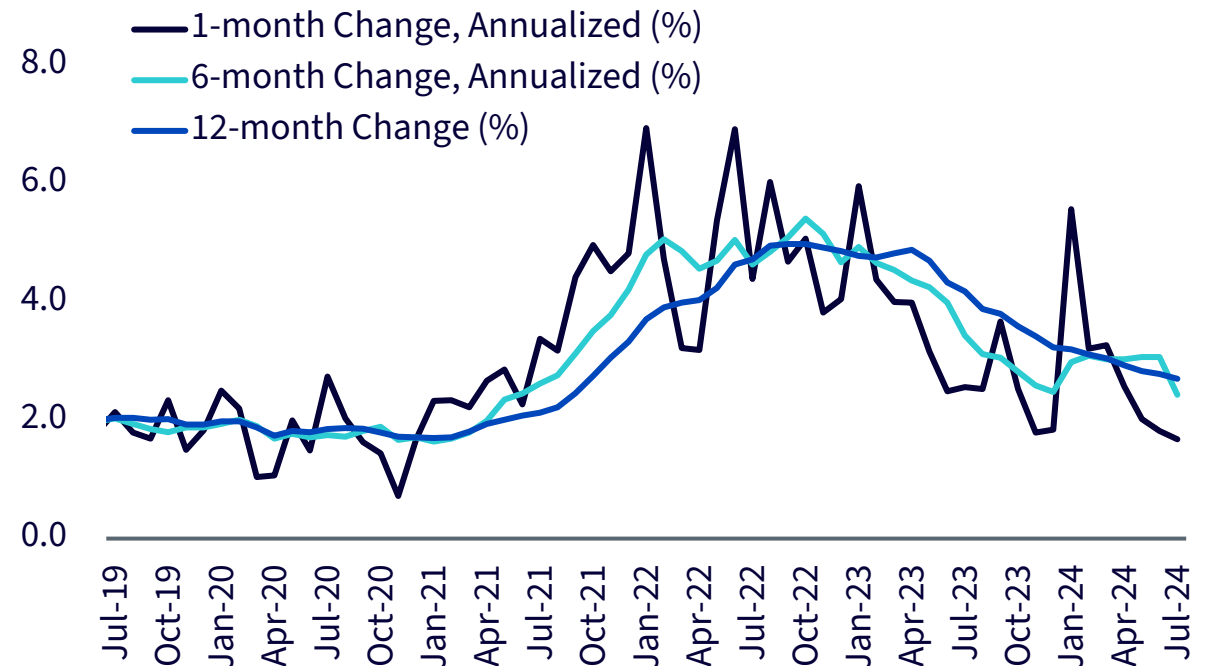
**Job growth, as represented by a 3-month rolling average of nonfarm payrolls, has clearly slowed from very robust levels**



Source: U.S. Bureau of Labor Statistics; as of September 30, 2024.

**...while the disinflation trend has remained intact**

Federal Reserve Bank of Dallas Trimmed Mean PCE inflation (%)



Source: Federal Reserve Bank of Dallas; as of September 30, 2024. The Trimmed Mean PCE inflation rate is an alternative measure of core inflation in the price index for personal consumption expenditures (PCE). It is calculated by staff at the Dallas Fed, using data from the Bureau of Economic Analysis (BEA)

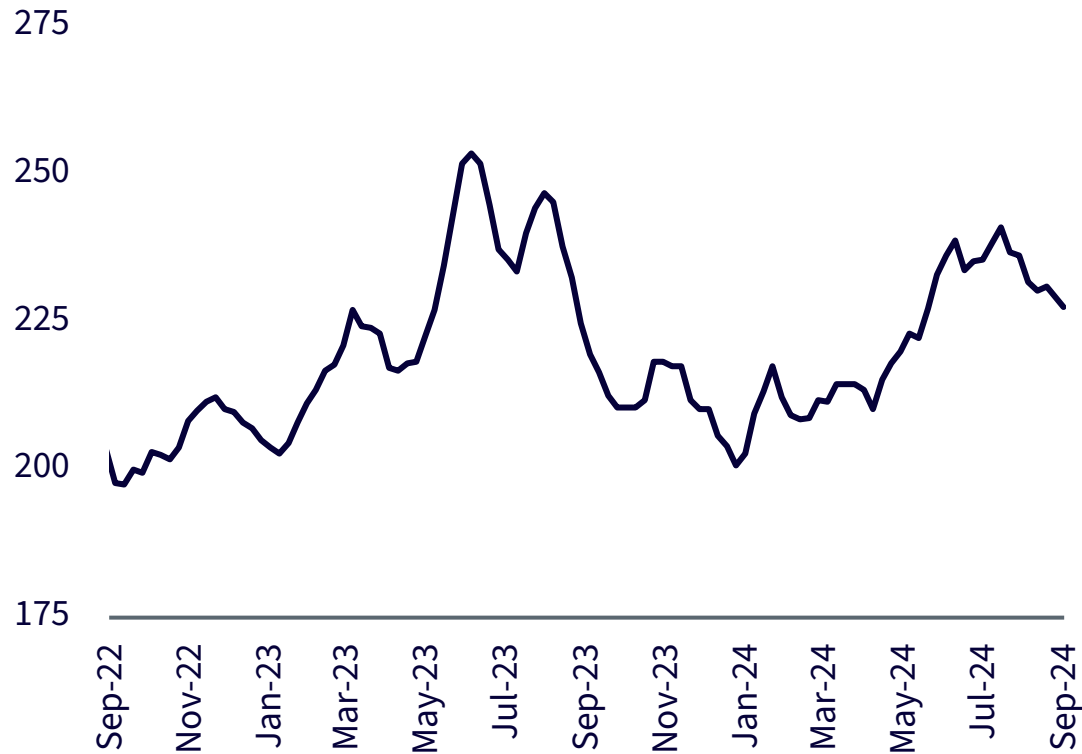
While the U.S. economy may be slowing, it is not showing signs of an imminent recession



Economy

**The recent rise in jobless claims has stabilized**

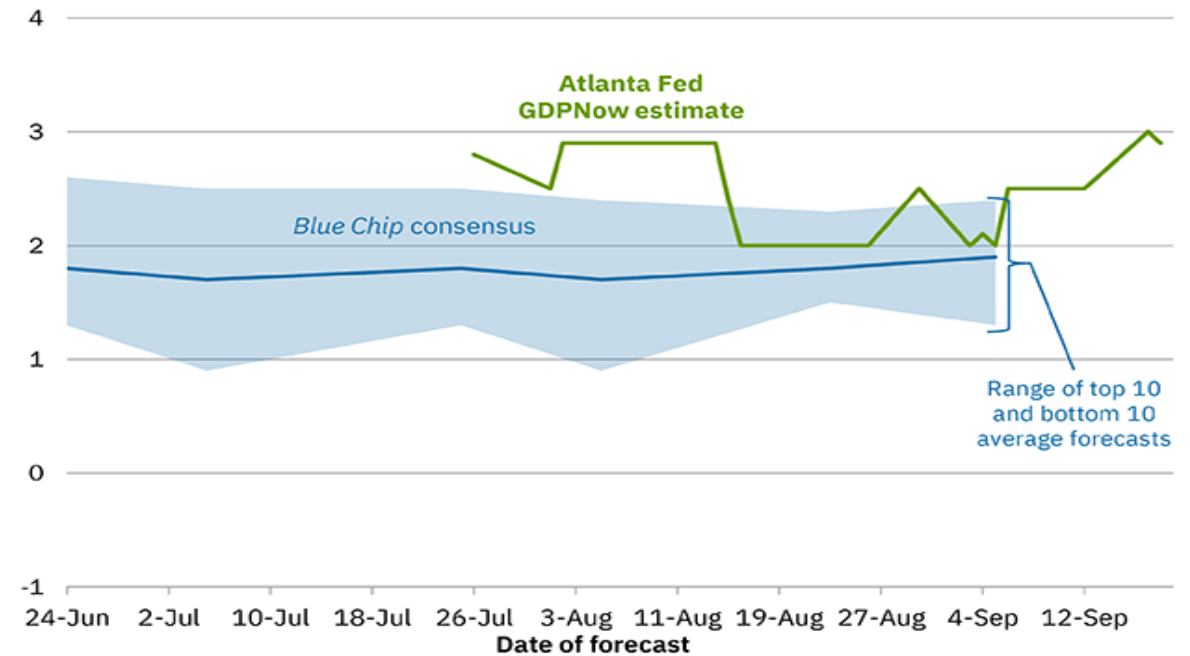
Initial Jobless Claims - 4 Week Moving Average (000s)



Source: US Department of Labor; as of September 6, 2024.

**Latest real-time estimates for Q3 GDP are just shy of 3%**

Evolution of Atlanta Fed GDPNow real GDP estimate for Q3 2024 (Quarterly Percent Change)



Source: Federal Reserve Bank of Atlanta; as of September 18, 2024. Sourced from *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*. Note: the top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.



# Equities: Current strategic positioning and outlook



## Equities

Equities	-	Neutral	+
<b>Equities vs. Bonds</b>			
<b>U.S. Equities</b>			
<b>U.S. Large Cap Growth</b>			
<b>U.S. Large Cap Value</b>			
<b>U.S. Mid/Small Cap</b>			
<b>Developed International</b>			
<b>Emerging Markets</b>			

- + We remain neutral on stocks relative to bonds
- + We remain overweight U.S. equities with tilts towards dividend payers and companies that rank highly on profitability metrics
- + Value stocks are priced at significant discounts vs. growth, and the Fed cutting cycle may invigorate a broadening out market rotation beyond mega cap technology names
- + After significant volatility in August, we continue to have a constructive view on Japan, which is benefiting from significant corporate governance reform, improved market sentiment, and positive investment flows

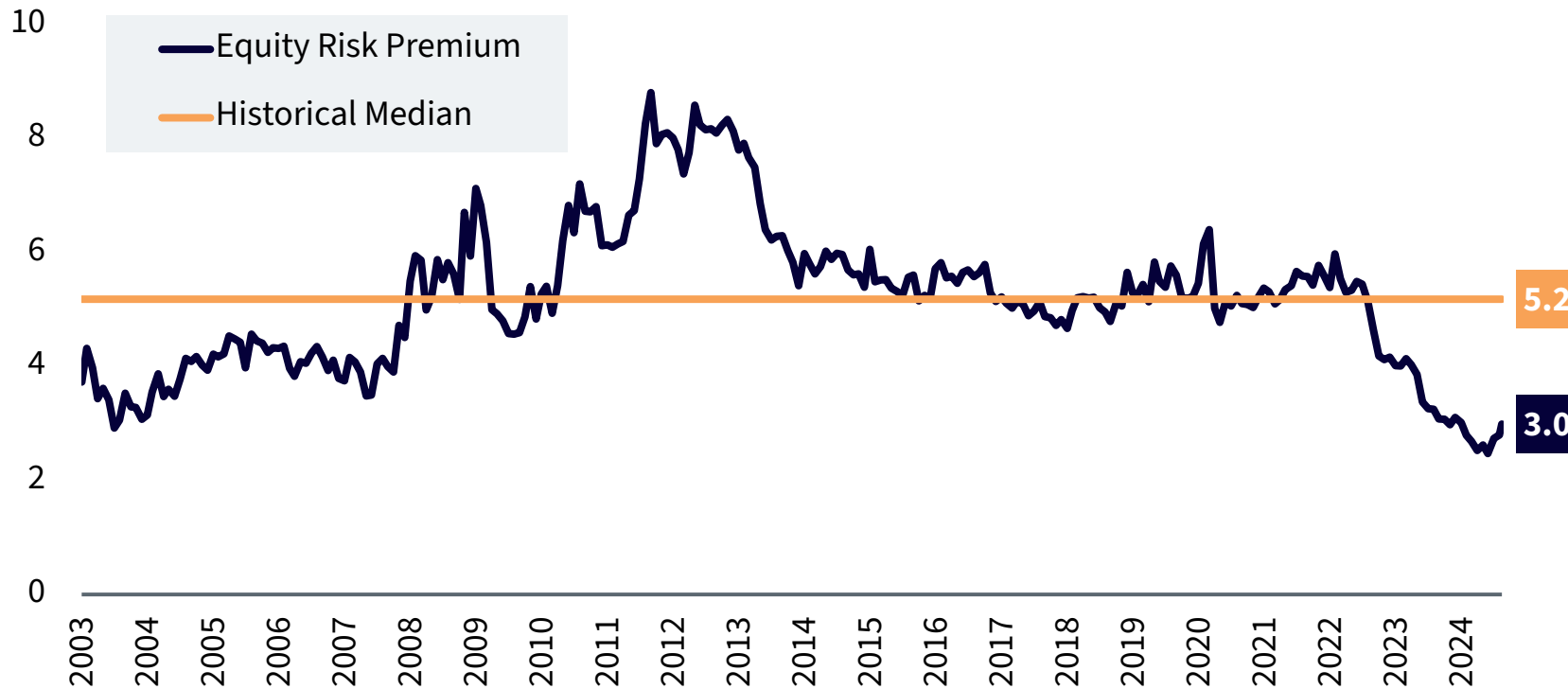
Source: WisdomTree, as of September 30, 2024.



We remain neutral on stocks relative to bonds

# Equities

## S&P 500 Equity Risk Premium (%): Estimated Earnings Yield – 10-Year TIPS Yield



While equity market fundamentals remain constructive, the equity risk premium has fallen below its long-term average and is currently providing investors roughly 2.2% of additional compensation above real yields

Source: WisdomTree calculations; as of September 17, 2024.  
You cannot invest directly in an index.

Value stocks are priced at significant discounts vs. growth stocks and appear to be gaining momentum after a significant downtrend



Equities

**P/E multiples on value stocks look historically cheap relative to growth**

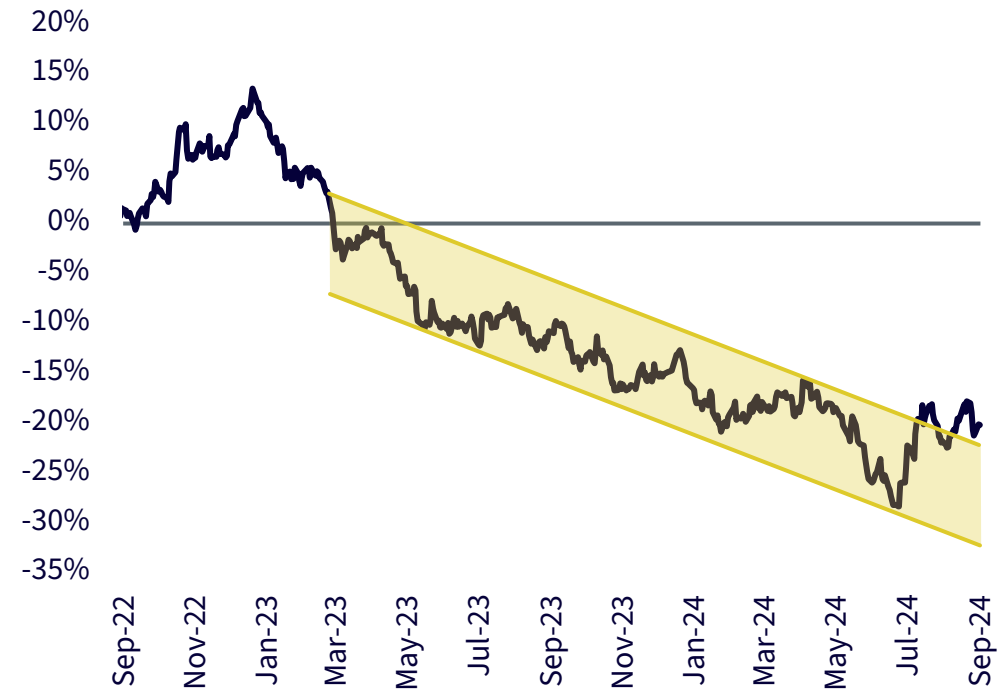
Forward P/E Ratios: Russell 1000 Value Index vs. Russell 1000 Growth Index



Source: WisdomTree, FactSet; as of September 18, 2024. Historical forward P/E measured since 12/31/1997 for the Russell 1000 Value and Growth Indexes. You cannot invest directly in an index.

**We see Fed rate cuts supporting a ‘broadening out’ market rotation beyond mega cap technology names**

Russell 1000 Value Index vs. Russell 1000 Growth Index



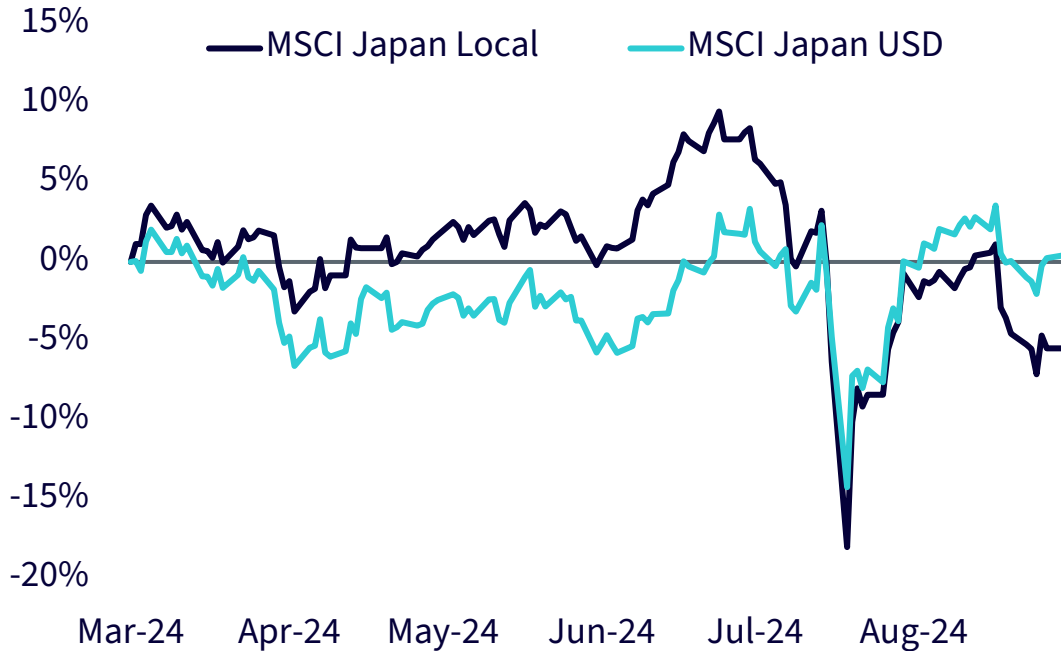
Source: WisdomTree, FactSet; as of September 18, 2024. Past performance is not indicative of future results. You cannot invest directly in an index.

While the BOJ's policy changes led to significant market reactions, the fundamental outlook for Japanese stocks remains compelling



Equities

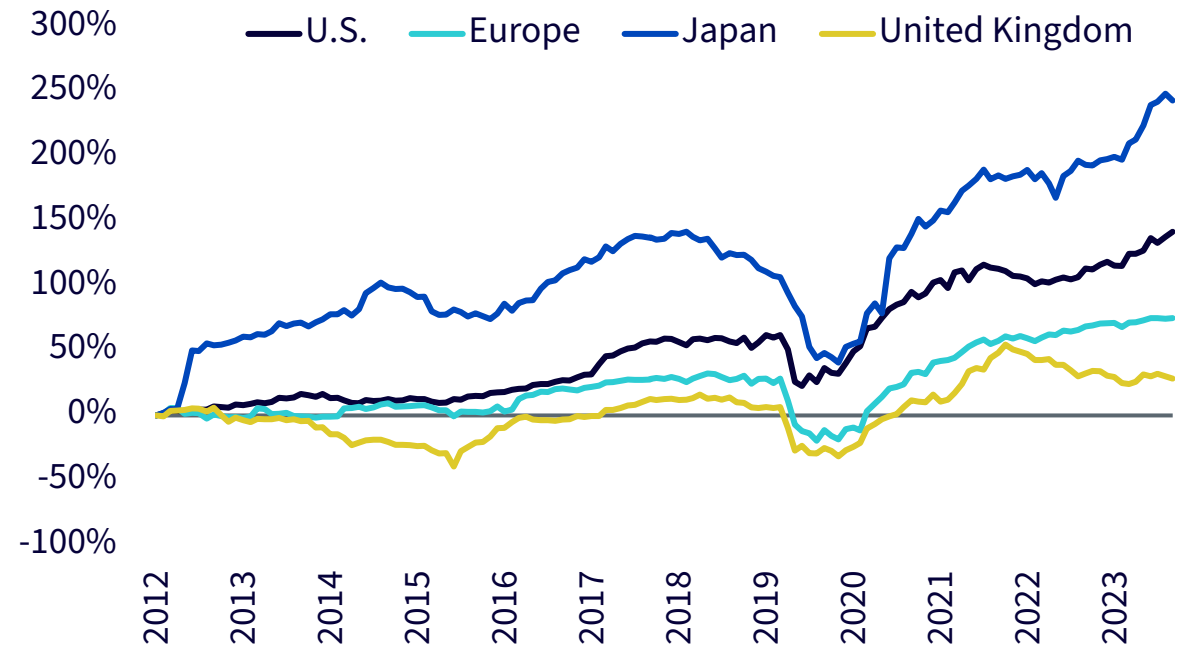
**The BOJ's policy changes led to significant market reactions in early August, including sharp moves in the Japanese Yen and a steep decline in Japanese stocks, most of which has since been reversed**



Source: WisdomTree, MSCI, March 18, 2024 – September 16, 2024. Japan equities measured by respective MSCI indexes. You cannot invest directly in an index.

**The positive fundamental case for Japan remains intact: a boom in earnings growth, mild inflation, and corporate reforms focused on profitability and shareholder returns**

Cumulative Index Earnings Per Share Growth



Source: WisdomTree, MSCI, December 31, 2019 – September 16, 2024. U.S, Eurozone, Japan, and UK measured by respective MSCI indexes. Earnings measured in local currency. You cannot invest directly in an index.

# Fixed Income: Current strategic positioning and outlook



## Fixed Income

Fixed Income	-	Neutral	+
Duration			
U.S. Treasuries			
Investment Grade Credit			
High Yield Credit			
Securitized Credit			
Non-U.S.			

- + We are neutral from a duration standpoint
- + While the Fed is cutting rates, yields are starting from much higher levels than were observed throughout the prior decade
- + We remain allocated to short-duration bonds, including Treasury floating rate notes, and continue to suggest investors utilize barbell strategies within bond portfolios
- + The resiliency in the economic landscape provides a supportive environment for US credit, but spreads have largely priced this in
- + We see better valuation prospects in securitized assets, and are overweight agency mortgage-backed securities

Source: WisdomTree, as of September 30, 2024.

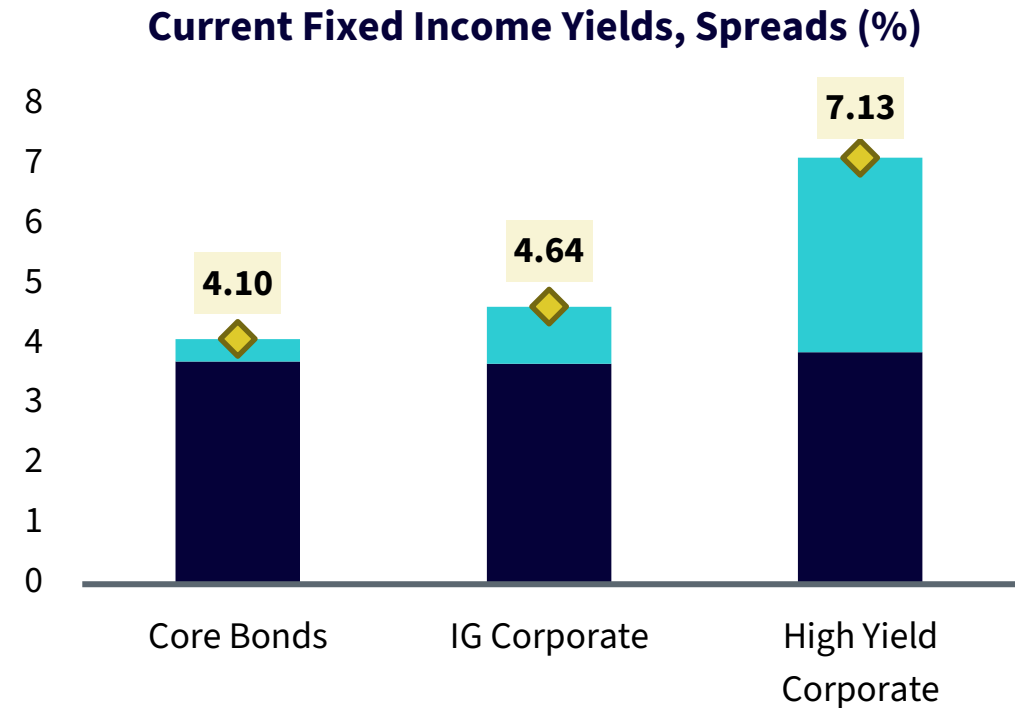
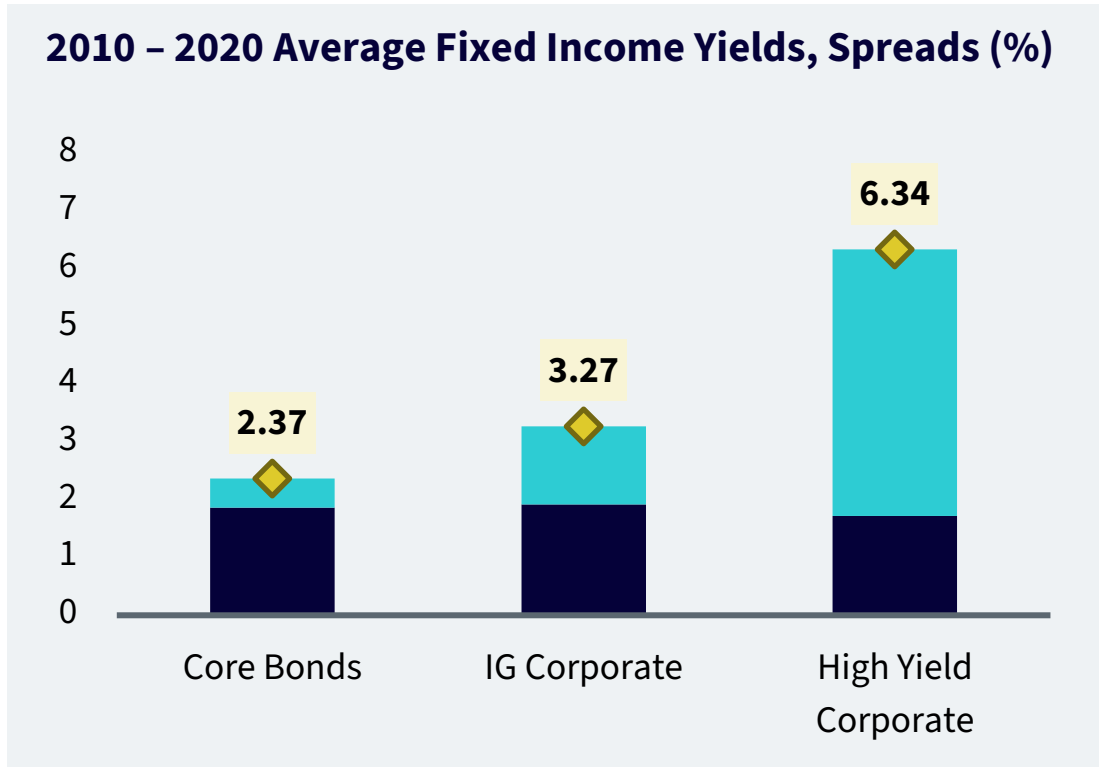
While the Fed is cutting rates, yields are starting from much higher levels than were observed throughout the prior decade



Fixed Income

**Yields available in U.S. fixed income markets then (2010-2020) vs. today**

■ Interest Rate   ■ Spread   ◆ All-in Yield



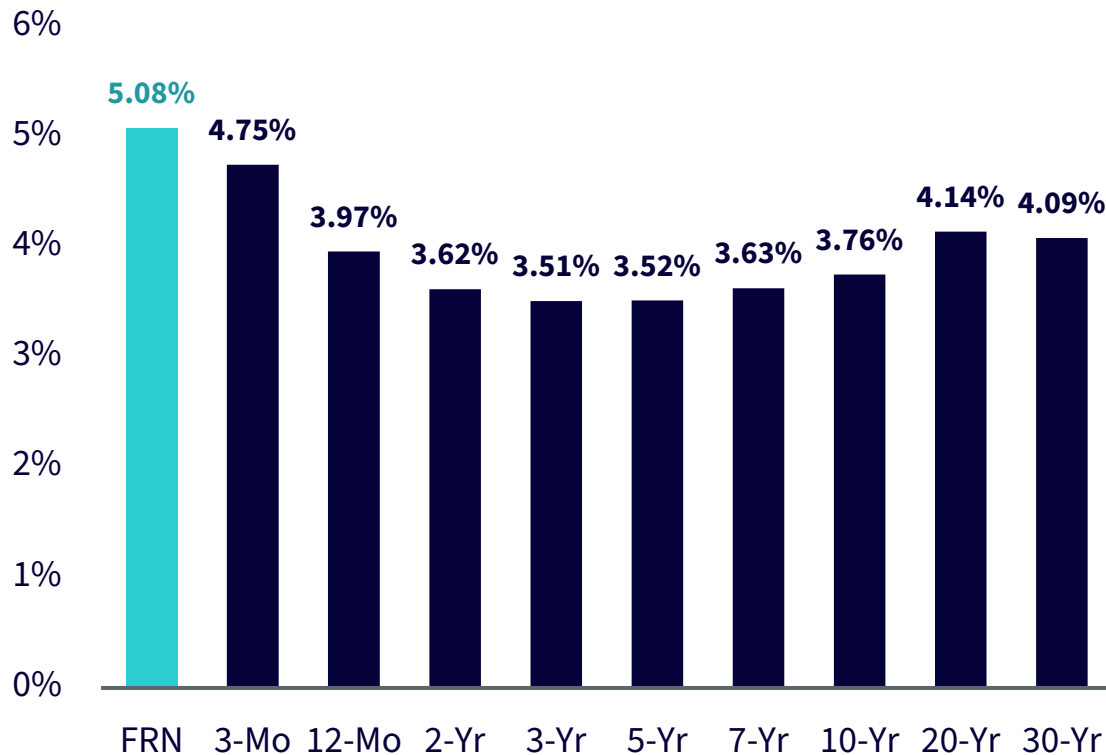
Source: WisdomTree, Bloomberg; as of September 30, 2024. Core bonds based on Bloomberg U.S. Aggregate Bond Index. IG Corporate based on Bloomberg U.S. Corporate Bond Index. High Yield Corporate based on Bloomberg U.S. High Yield Corporate Bond Index. **Past performance is not indicative of future results. You cannot invest directly in an index.**

While we see increasing fixed income opportunities in the new rate regime, we remain allocated to Treasury floating rate notes



Fixed Income

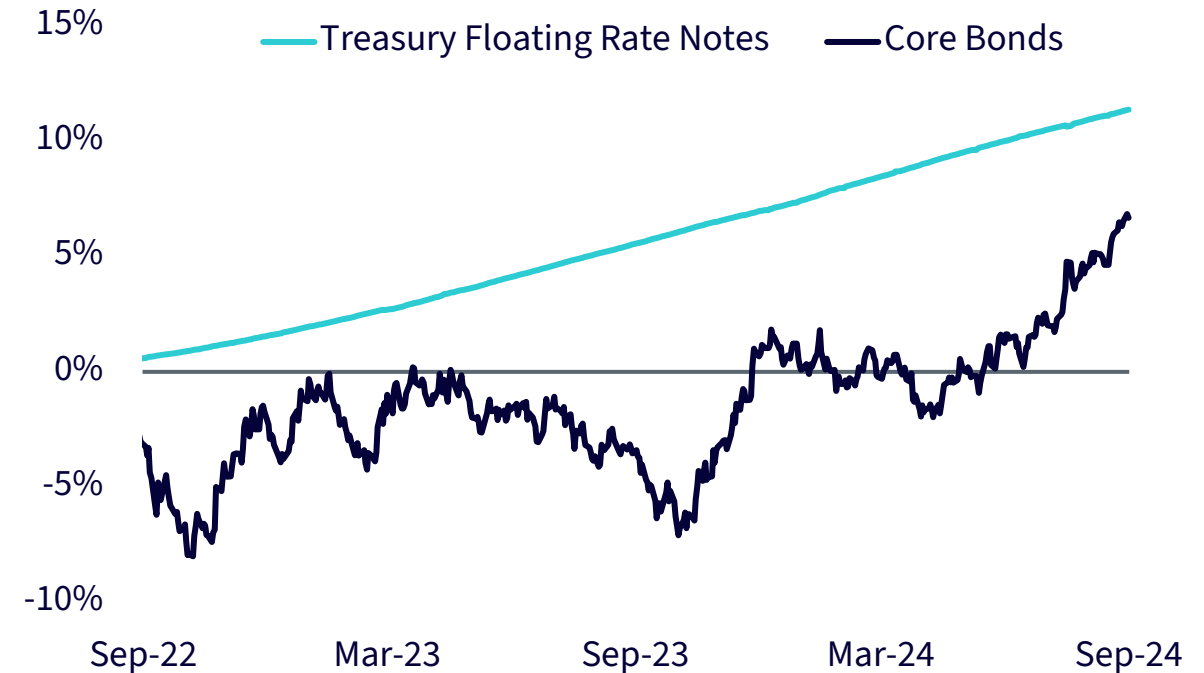
**Treasury Floating Rate Notes (FRNs) still offer attractive yield relative to other maturities on the Treasury yield curve...**



Source: Bloomberg, as of September 30, 2024. Past performance is not indicative of future results. You cannot invest directly in an index.

**...and have helped smooth the ride for fixed income investors in a volatile interest rate environment**

2-Yr total return of core bonds and Treasury Floating Rate Notes



Source: Bloomberg, as of September 17, 2024. Treasury Floating Rate Notes represented by the Bloomberg US Treasury Floating Rate Index. Core Bonds represented by the Bloomberg US Aggregate Bond Index. Past performance is not indicative of future results. You cannot invest directly in an index.

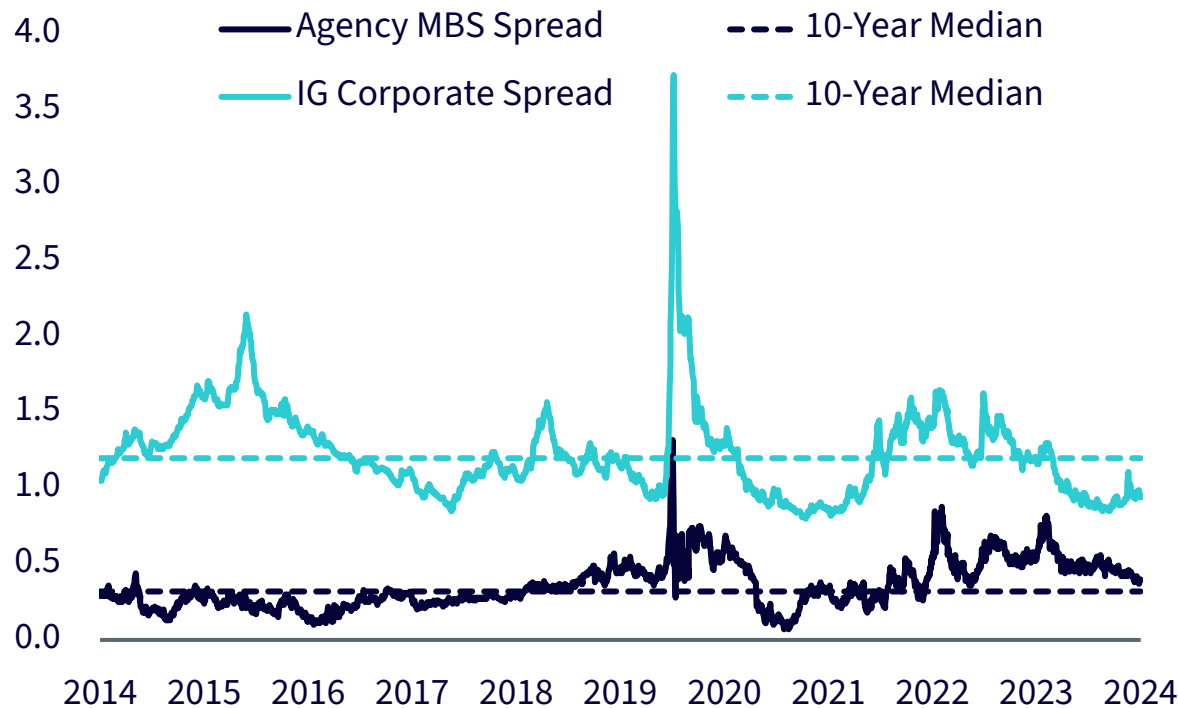
Corporate credit spreads are near post-GFC lows, and we see a valuation opportunity in Agency mortgage-backed securities



Fixed Income

**Spreads on Agency MBS offer greater value than IG corporates**

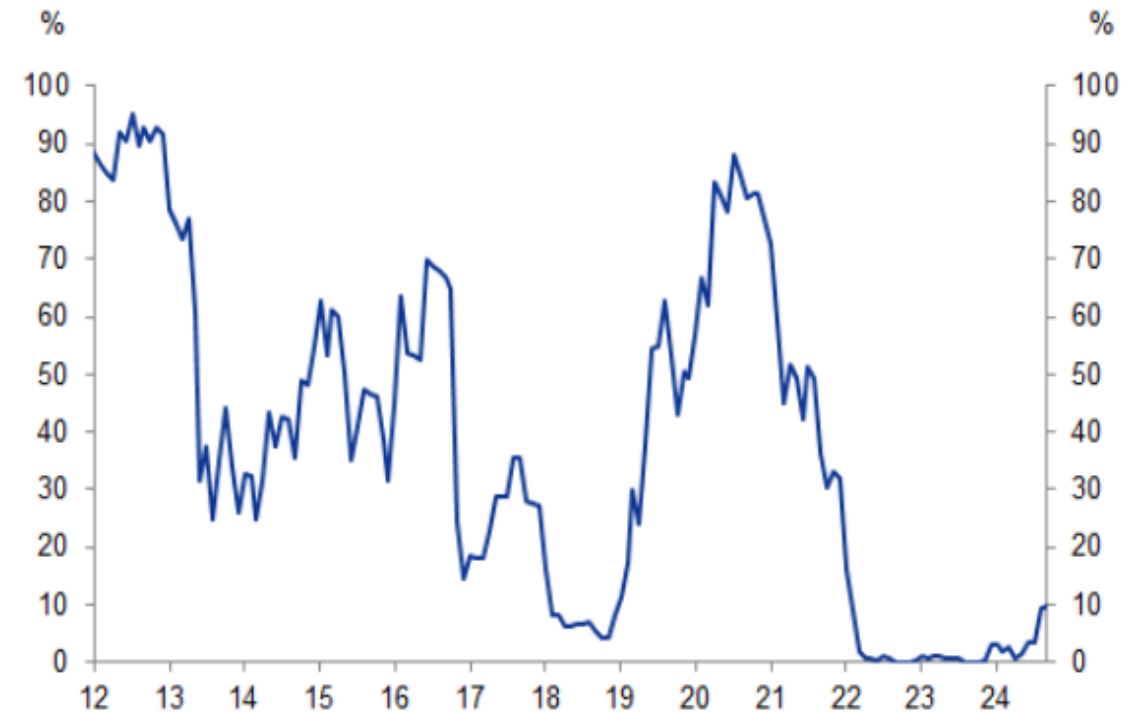
Spreads (%) on Agency MBS and IG Corporates vs. 10-Yr Medians



Source: Bloomberg, WisdomTree; as of September 18, 2024. Spreads are Option Adjusted Spread (OAS). Agency MBS represented by Bloomberg US MBS Index. IG Corporate represented by the Bloomberg US Corporate Bond Index. Past performance is not indicative of future results. You cannot invest directly in an index.

**Prepayment / reinvestment risk remains low as most borrowers refinanced in post-Covid low-rate environment**

% of Borrowers with 50+ Basis Point Refi Incentive



Source: eMBS, Goldman Sachs Global Investment Research; as of September 18, 2024



## Alternatives

Alternatives	-	Neutral	+
Liquid Alternatives			
Real Assets			

- + For investors that are hesitant to reduce their allocation to equities and fixed income, efficient core strategies may provide an innovative solution to free up capital for alternative strategies
- + With the possibility that stock-bond correlations could remain in positive territory, we believe trend-following and other liquid alternative strategies can play an important role in multi-asset class portfolios
- + We continue to favor strategies which seek to generate uncorrelated returns in periods of heightened volatility

Source: WisdomTree, as of September 30, 2024.

# Efficient core strategies can open the door to an alternatives allocation without the need to reduce equities or bond exposure

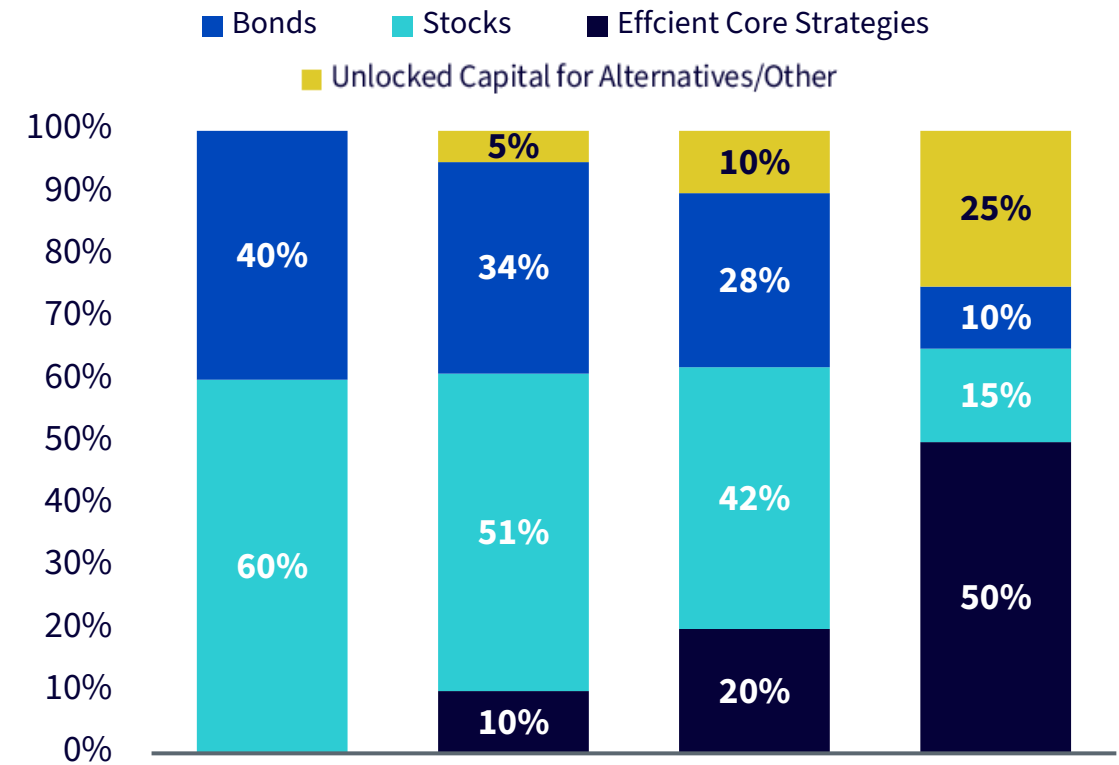


- + WisdomTree’s efficient core strategies invest 90% of their assets in equities and 10% in U.S. Treasury bills, which are then used to support a simple laddered U.S. Treasury futures overlay
- + The result is a strategy which, for every \$100 invested, provides \$90 of exposure to stocks and \$60 exposure to bond futures
- + Said another way, an investor could get a fractional \$60 stock / \$40 bond exposure with an investment of only ~\$66
- + As a result, investors can free up capital to invest in diversifying assets
- + Within the liquid alternative universe, we continue to prefer trend following and managed futures strategies which can diversify equity beta and offer the potential for total returns as macro views evolve

Source: WisdomTree; as of September 30, 2024. Provided for illustrative purposes only.

## Alternatives

### Portfolios Providing 60% Stock / 40% Bond Exposure



# Current strategic asset class positioning



<b>Equities</b>	<b>-</b>	<b>Neutral</b>	<b>+</b>
<b>Equities vs. Bonds</b>			
<b>U.S. Equities</b>			
<b>U.S. Large Cap Growth</b>			
<b>U.S. Large Cap Value</b>			
<b>U.S. Mid/Small Cap</b>			
<b>Developed International</b>			
<b>Emerging Markets</b>			
<b>Fixed Income</b>	<b>-</b>	<b>Neutral</b>	<b>+</b>
<b>Duration</b>			
<b>U.S. Treasuries</b>			
<b>Investment Grade Credit</b>			
<b>High Yield Credit</b>			
<b>Securitized Credit</b>			
<b>Non-U.S.</b>			
<b>Alternatives</b>	<b>-</b>	<b>Neutral</b>	<b>+</b>
<b>Liquid Alternatives</b>			
<b>Real Assets</b>			

Source: WisdomTree, as of September 30, 2024.

Evaluations are subject to change as market conditions change. This is for illustration purposes only and does not represent investment advice. All evaluations are on a relative and not absolute basis.

Red = a negative relative evaluation; gray = a neutral relative evaluation; green = a positive relative evaluation.

You cannot invest in an index, and past performance does not guarantee future results.

# Important Information



**Investors and their advisors should consider the investment objectives, risks, charges and expenses of the funds included in any Model Portfolio carefully before investing. This and other information can be obtained in the Fund’s prospectus or, if available, the summary prospectus by visiting [wisdomtree.com/investments](http://wisdomtree.com/investments) for WisdomTree Funds. Visit the applicable third-party website for third party funds. Please read the prospectus or, if available, the summary prospectus carefully before you invest. WisdomTree Asset Management, Inc. does not endorse and is not responsible or liable for any content or other materials made available by other ETF sponsors.**

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. In providing WisdomTree Model Portfolio information, WisdomTree is not acting and has not agreed to act in an investment advisory, fiduciary or quasi-fiduciary capacity to any advisor or end client, and has no responsibility in connection therewith, and is not providing individualized investment advice to any advisor or end client, including based on or tailored to the circumstance of any advisor or end client. The Model Portfolio information is provided “as is,” without warranty of any kind, express or implied. WisdomTree is not responsible for determining the securities to be purchased, held and/or sold for any advisor or end client accounts, nor is WisdomTree responsible for determining the suitability or appropriateness of a Model Portfolio or any securities included therein for any third party, including end clients.

Advisors are solely responsible for making investment recommendations and/or decisions with respect to an end client, and should consider the end client’s individual financial circumstances, investment time frame, risk tolerance level and investment goals in determining the appropriateness of a particular investment or strategy, without input from WisdomTree. WisdomTree does not have investment discretion and does not place trade orders for any end client accounts. Information and other marketing materials provided to you by WisdomTree concerning a Model Portfolio - including allocations, performance and other characteristics - may not be indicative of an end client’s actual experience from investing in one or more of the funds included in a Model Portfolio. Using an asset allocation strategy does not ensure a profit or protect against loss, and diversification does not eliminate the risk of experiencing investment losses. There is no assurance that investing in accordance with a Model Portfolio’s allocations will provide positive performance over any period. Any content or information included in or related to a WisdomTree Model Portfolio, including descriptions, allocations, data, fund details and disclosures are subject to change and may not be altered by an advisor or other third party in any way.

# Important Information



There are risks involved with investing, including possible loss of principal. Using an asset allocation strategy does not assure a profit or protect against loss.

Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. These risks are often heightened in emerging, offshore and/or frontier markets.

Funds focused on specific industries, sectors, markets or asset classes may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall, income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.

Derivative investments can be volatile; these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions.

Due to the investment strategy of certain funds included in a model portfolio, such funds may make higher capital gain distributions than other funds. Actively managed ETFs, unlike typical ETFs, do not attempt to track or replicate an index. Thus, the ability of these ETFs to achieve their objectives will depend on the effectiveness of the portfolio manager.

Please see the prospectus of each fund included in a model portfolio for discussion of risks of investing in the fund.

Jeremy Siegel serves as Senior Economist to WisdomTree, Inc., and its subsidiary, WisdomTree Asset Management, Inc. ("WTAM" or "WisdomTree"). He serves on the Model Portfolio Investment Committee for the Siegel WisdomTree Model Portfolios of WisdomTree, which develops and rebalances WisdomTree's Model Portfolios. In serving as an advisor to WisdomTree in such roles, Mr. Siegel is not attempting to meet the objectives of any person, does not express opinions as to the investment merits of any particular securities and is not undertaking to provide and does not provide any individualized or personalized advice attuned or tailored to the concerns of any person.

# Important Information



WisdomTree primarily uses WisdomTree Funds in the Model Portfolios unless there is no WisdomTree Fund that is consistent with the desired asset allocation or Model Portfolio strategy. As a result, WisdomTree Model Portfolios are expected to include a substantial portion of WisdomTree Funds notwithstanding that there may be a similar fund with a higher rating, lower fees and expenses, or substantially better performance. Additionally, WisdomTree and its affiliates will indirectly benefit from investments made based on the Model Portfolios through fees paid by the WisdomTree Funds to WisdomTree and its affiliates for advisory, administrative and other services.

The WisdomTree Model Portfolio Investment Committee is also sometimes referred to as the Asset Allocation Committee.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S.