



WisdomTree US Efficient Core Index Methodology

October 2023

Index Construction



WisdomTree.eu
+44 (0) 207 448 4330

The WisdomTree US Efficient Core UCITS Index seeks long-term capital appreciation while boosting its risk-adjusted returns by leveraging the historically negative correlation between stocks and bonds, and providing a more capital efficient alternative to the traditional 60/40 portfolio.

Index Holdings

The Index is comprised of three key exposures:



Equity: The Index invests in a diversified basket of US large-capitalisation companies



Bond: The Index invests in a diversified basket of US Treasury future contracts with maturities ranging from 2 to 30 years



Cash collateral: The Index has roughly 10% exposure in cash, which serves as collateral for the US Treasury future contracts

Index Weights

The index invests 90% into the equity exposure and 60% into the bond exposure with 10% left as cash collateral.

Rebalance

The index is rebalanced on a quarterly basis on the last business day of February, May, August and November.

Exceptional Rebalance

In the event that the weight of the equity exposure or the bond exposure deviates by more than 5% between rebalancing dates, the index will rebalance back to target weights.

The Equity Exposure

1. Define Universe

US-listed companies incorporated and headquartered in the US.

2. Eligibility Screen

Companies in the universe are then screened for the following eligibility requirements:

- + Common stocks (except WisdomTree, Inc.WT), real estate investment trusts (REITs), tracking stocks and holding companies
- + 6-month median daily traded volume of at least \$200k

3. Stock Selection and Weighting

Stock Selection → Weighting

The **top 500 companies by market capitalisation** that meet the above criteria are selected. Stocks that fail WisdomTree ESG Screen are removed. WisdomTree ESG criteria includes norms-based and activity-based exclusions, including:

- United Nations Global Compact
- Controversial weapons
- Tobacco
- Thermal Coal
- Unconventional oil and gas exploration/ production
- Small Arms

To obtain further information regarding the WisdomTree ESG exclusions, refer to our [responsible investing page](#).

Top 500 US companies

Stocks are weighted by free-float market-capitalisation at each rebalance

%Cap

Single stock caps: The maximum weight of any stock in the index is capped at **10%**

Liquidity

Adjustment

The weight of any stock can be adjusted to make sure that its volume factor (median daily volume last 3 months divided by the weight of the stock) is at least **\$400m**

The Bond Exposure

1. Define Universe

US Treasury future contracts.

2. Apply Eligibility Screen

- + Average daily trading volume and/or open interest: **\$100 million**
- + Currently, the bond is composed of **5 US Treasury future contracts** laddered across the **2-, 5-, 10- and 30-year** segments of the yield curve to diversify interest rate risk

3. Weighting

US Treasury future contracts are equal weighted at each rebalance.

4. Future Rolling

The Index implements a “rolling” methodology to replace the “first near future contract” (the front month contract) into the “second near future contract”, which occurs over a one-day rolling period.

5. Rebalance and Roll Schedule

Weights are rebalanced and contracts are rolled every quarter, on the last business day of February, May, August and November.

5 US Treasury future contracts

The Cash Exposure

The Cash collateral returns the US Secured Overnight Financing Rate.

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares (“Shares”) representing each fund. Investors should read the prospectus of WT Issuer (“WT Prospectus”) before investing and should refer to the section of the WT Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the Shares.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

In Switzerland, this communication is only targeted at Qualified Investors. The prospectus and the key investor information documents (KIID) are available from WisdomTree’s website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

For Investors in Malta:

This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Monaco:

This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.



WisdomTree.eu
+44 (0) 207 448 4330