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# WisdomTree US Efficient Core UCITS ETF



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The WisdomTree US Efficient Core UCITS ETF (NTSX) seeks long-term capital appreciation while boosting its risk-adjusted returns by leveraging the historically negative correlation between stocks and bonds.

## **Better than 100% equities?**

A portfolio that mixes equities with investment grade bonds, such as the 60/40 portfolio, serves as the bedrock (and benchmark) for asset allocation decisions as it tends to deliver a higher Sharpe ratio<sup>1</sup>. than a pure equity exposure. This is due to the historically negative correlation between equities and investment-grade fixed income. It is also true that a 60/40 portfolio has tended to deliver lower returns than a 100% equity portfolio, as the addition of bonds significantly reduces volatility within the portfolio.

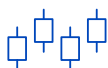
Does it mean that investors have to choose between higher returns with increased volatility or lower returns with decreased volatility for their core equity exposures? Only when investing in 'delta one' strategies. Leverage is a key solution to combine higher returns with a higher Sharpe ratio.

Academics have long argued that the optimal portfolio for a given level of risk is a leveraged version of the portfolio that presents the best Sharpe ratio.

<sup>1</sup> The Sharpe ratio is a measure of risk-adjusted returns of an investment. It is the difference between the risk-free return and the return of an investment divided by the investment's standard deviation..

By leveraging a traditional 60/40 portfolio, investors can receive a similar level of volatility present in a portfolio 100% allocated to equities but with the better Sharpe ratio of a 60/40 portfolio<sup>2</sup>.

Historically and over the long-term, this translates into:

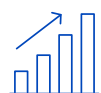


Better long-term performance and a higher Sharpe ratio than a pure equity portfolio.



Improved diversification leading to smaller drawdowns during volatile markets.

## Efficient Core in a portfolio: boosting capital efficiency



### An equity replacement ETF

A low fee, core equity solution designed to replace existing core equity exposures. By offering return enhancement, improved risk management and diversification potential compared to a 100% equity portfolio, this exchange-traded fund (ETF) can also be used to complement existing equity exposures.



### A capital efficiency tool

By delivering equity and bond exposure in a capital-efficient manner, the WisdomTree US Efficient Core UCITS ETF can help free up space in the portfolio for alternatives and diversifiers. Allocating 10% of a portfolio to this strategy, investors get 9% exposure to US equities and 6% exposure to US Treasuries. This could allow investors to divest 6% from existing fixed income exposures and invest that in alternative assets (such as broad commodities, gold, carbon or other assets). This could be achieved without losing the diversifying benefits of their fixed income exposure.

<sup>2</sup> This is a concept first defined by Clifford S Asness in “Why Not 100% Equities: A Diversified Portfolio Provides More Expected Return per Unit of Risk”. 1996.

## Investment methodology highlights

The WisdomTree US Efficient Core UCITS ETF aims to deliver a 90% exposure to large-cap US equities and 60% to US Treasury Bond Futures, effectively delivering a leveraged position to the traditional 60/40 portfolio.

The ETF invests 90% of its assets in a diversified basket of the 500 largest US companies by market capitalisation that meet WisdomTree's ESG Framework. To help magnify the benefits of the asset allocation, a 60% exposure to US Treasury futures is then overlaid on top, using the remaining 10% of the portfolio as cash collateral for the futures. The futures portfolio consists of an equal-weight basket of five US Treasury futures contracts with maturities ranging from 2 to 30 years. The exposures are rebalanced quarterly<sup>3</sup>.

## WisdomTree ESG framework

WisdomTree understands the importance of Environmental, Social and Governance (ESG) considerations within investment strategies and strongly believes that ESG principles need to be addressed holistically and not simply applied to a subset of impact investments. We have aligned our proprietary equity indices with ESG factors using exclusion criteria, applying a combination of principle-based exclusions and activity-based exclusions based on the assessment from Sustainalytics, a leading independent ESG and corporate governance research, ratings, and analytics firm.

For information on our approach to ESG, visit our [responsible investing page](#).

## Why WisdomTree US Efficient Core UCITS ETF?

- + **Boost the risk-adjusted returns of a US equity investment:** The ETF delivers a 90% exposure to equities while improving the Sharpe ratio and the drawdown thanks to a fixed income overlay.
- + **Improve portfolio's capital efficiency:** The ETF helps boost the capital efficiency of a portfolio by combining the US Equity and US Treasury exposure in one capital efficient structure, freeing space for diversifiers and alternative strategies.
- + **A low-fee core equity solution:** Low-fee, core equity solution that can complement other active and passive strategies.

<sup>3</sup> The strategy allows for intra quarter exceptional rebalancing in case the equity/bond exposures deviate by more than 5% from the target weights.

## Fund Information: WisdomTree US Efficient Core UCITS ETF

Ticker	Exchange	ISIN	Bloomberg Code	Listing Currency	Base Currency	TER%
NTSX	LSE	IE000KF370H3	NTSX LN	USD	USD	0.20
WTEF	LSE	IE000KF370H3	WTEF LN	GBx	USD	0.20
NTSX	Borsa Italiana	IE000KF370H3	NTSX IM	EUR	USD	0.20
WTEF	XETRA	IE000KF370H3	WTEF GY	EUR	USD	0.20

TER: Total Expense Ratio

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