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WisdomTree Enhanced Commodity UCITS ETF



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The WisdomTree Enhanced Commodity UCITS ETF (WCOA) is a core commodity alternative to the Bloomberg Commodity Index. The fund invests in the same commodities and rebalances yearly to the same weight however WCOA seeks to systematically enhance the risk return profile by selecting optimal maturities along the futures curves to enhance on carry.

Broad commodities offer a unique solution



Portfolio Diversifier: Commodities behave differently from equities and bonds. They have a low correlation to these other asset classes, which makes them a potential diversifier to a portfolio.



Inflation hedge: Commodities prices tend to move in tandem with inflation. While many other cyclical assets like equities react to 'expected inflation' (inflation expectations formed by strength of the economy and monetary growth), commodities also tend to respond well to 'unexpected inflation' (inflation driven by unanticipated supply or demand shocks).



Cyclical asset: Most commodities are seen as cyclical assets and therefore are a way for investors to play an economic recovery. Demand for energy and metals often rise during periods of economic growth. Even gold, which is thought of as a defensive asset most of the time, can perform very well in times of strong economic growth (a period often coupled with high inflation).



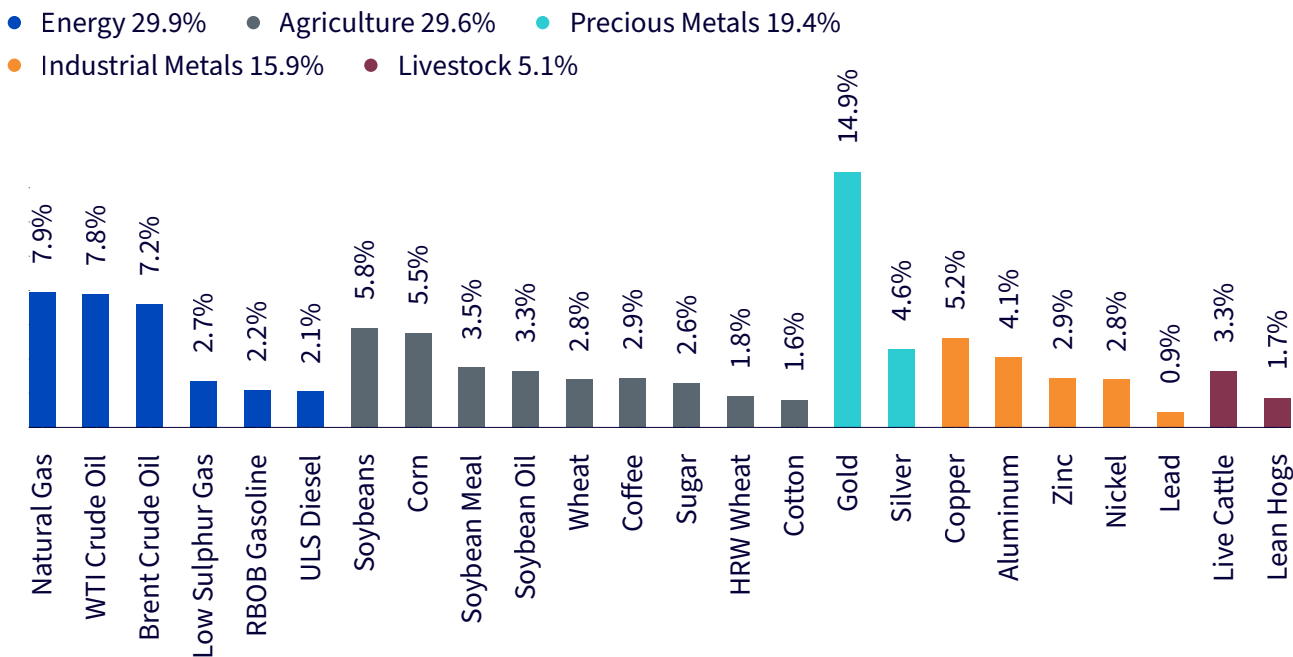
Benefits from US Dollar depreciation: Commodities that are typically priced in US dollars tend to rise when the US dollar depreciates. If there is a structural weakness in the US dollar, commodities could be a beneficiary.

Bloomberg Commodity Total Return Index

Widely seen as the industry benchmark, the Bloomberg Commodity (BCOM) Total Return Index offers investors access to 24 commodities spread across energy, industrial metals, precious metals and agriculture. Commodities and weights within this index were chosen by

the Bloomberg Committee on the basis of liquidity and economic significance ¹. This wide variety of commodities offers strong diversity benefits. Various caps make the index structurally compatible with European Union’s UCITS 35/20 requirements ².

Bloomberg Commodity Index Target Weights



Source: Bloomberg, March 2023.

- 1 Two thirds of the consideration is placed on liquidity of the underlying commodity, while one third is placed on the economic significance.
- 2 Undertakings for the Collective Investment in Transferable Securities (UCITS) policy states an index is permitted to invest up to 20% of net assets in shares and/or debt securities issued by the same body, with the 20% limit being raised up to 35% in the case of a single issuer where justified by exceptional market conditions. Commodity markets are inherently prone to “exceptional market conditions” due to the limited universe of investable commodity futures contracts with adequate liquidity upon which an index may be based, justifying the use of the increased diversification limit of 35%. In the BCOM methodology no related group of commodities can constitute more than 33% of the Index and no single commodity can constitute more than 15%. UCITS rules state that subcategories of the same commodity (for instance, from different regions or markets or derived from the same primary products by an industrialized process) should be considered as being the same commodity for the calculation of the diversification limits. Hence WTI Crude Oil, Brent Crude Oil, Gasoline, Gasoil or Heating Oil contracts should be considered as being all sub-categories of the same commodity (i.e. oil).

Enhancing the risk/return profile by using the Optimized Roll Commodity Index

Traditional commodity investing on the futures curve

First-generation commodities like the Bloomberg Commodity Index (BCOM) invest on the close end of the futures curves, obeying a fixed schedule.

Because futures contracts expire, maintaining a continuous exposure to commodities requires 'rolling' the contract exposure as they approach expiry. Furthermore, as the price of a future converges towards the spot price, as it comes closer to expiry, we often see a drag on performance when the futures curve is upward sloping.

Carry is an essential component of return when investing in commodities. Enhanced strategies focusing on carry improvement generally outperform their front month counterpart, with the additional benefit of lowering the strategy's volatility.

What Optimised Roll can do for commodity investing

The Optimized Roll Commodity Index goes beyond and selects maturities with the objective of maximising carry.

By investing in the same allocation as BCOM, but enhancing on maturity selection, the Optimized Roll Commodity Index offers the opportunity to get exposure to commodities with a much-improved risk-return profile, while keeping a relatively low tracking error to the benchmark.

The Optimized Roll Commodity Index

The Optimized Roll Commodity Index adopts a highly dynamic approach, looking at liquidity each month, on each commodity's futures curve to determine which maturities are liquid enough to be investable. It then selects the most optimal contract on the futures curve that can minimise this drag when the curve is upward sloping and maximise the benefit when the curve is downward sloping. By doing this monthly, the approach can respond quickly to changes in the shapes of futures curves.

Over long periods, this "optimised roll yield" approach can improve the index return. It also tends to reduce volatility because choosing futures contracts further along the curve means the strategy is less exposed to spot price movements. Enhancing the risk return profile over the long term.

WCOA as an investment proposition

- The index adopts a highly dynamic approach looking at liquidity each month
- Over time an optimised roll yield can improve index return
- Selection of futures contracts further along the curve can reduce volatility as the strategy is less exposed to spot price movements

Fund Information: WisdomTree Enhanced Commodity UCITS ETF

Share Class	Base Currency	Ticker	Exchange	ISIN	BBG Code	Listing Currency	TER%
Unhedged Acc	USD	WCOA	LSE	IE00BYMLZY74	WCOA LN	USD	0.35
		WCOB	LSE	IE00BYMLZY74	WCOB LN	GBx	0.35
		WCOA	Borsa Italiana	IE00BYMLZY74	WCOA IM	EUR	0.35
		WCOA	SIX	IE00BYMLZY74	WCOA SW	USD	0.35
		WTIC	Xetra	IE00BYMLZY74	WTIC GY	USD	0.35
Unhedged	USD	WCOG	LSE	IE00BZ1GHD37	WCOG LN	GBx	0.35
		WCOG	SIX	IE00BZ1GHD37	WCOG SW	USD	0.35
EUR Hedged Acc	EUR	WCOE	Borsa Italiana	IE00BG88WG77	WCOE IM	EUR	0.35
		WTEH	Xetra	IE00BG88WG77	WTEH GY	EUR	0.35
GBP Hedged Acc	GBP	WCOM	LSE	IE00BG88WH84	WCOM LN	GBx	0.35
CHF Hedged Acc	CHF	COMS	SIX	IE00BG88WL21	COMS SW	CHF	0.35

TER: Total Expense Ratio.

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