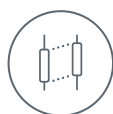


February 2021

WisdomTree European Union Bond UCITS ETF offers investors exposure to bonds issued by the European Union which will sit alongside their core allocation to European Sovereign bonds, targeting a similar risk profile but currently with a higher yield than other AAA rated¹ European Sovereigns.

WisdomTree European Union Bond Strategy

The WisdomTree European Union Bond UCITS ETF gives investors market access to this evolving asset class of European Union (EU) bonds by aiming to capture all EU bond issuance under **SURE** and **NextGenerationEU** in a transparent and highly liquid UCITS Exchange Traded Fund (ETF) vehicle. **New issuance of European Union bonds under SURE are social bonds and a portion of issuance under NextGenerationEU could also fall under the social or green bond framework, making it interesting for Environmental, Social, and Governance (ESG) compliant investing.**



The iBoxx EUR European Union Select Index is designed to reflect the performance of EUR denominated investment grade debt issued by the EU and contains only EU bonds that are issued to finance SURE and NextGenerationEU. The Index is rebalanced monthly.



High Credit Rating: AAA/Aaa/AA by Fitch, Moody's and S&P, respectively. Germany and the Netherlands are currently the major AAA rated European Sovereigns. The expected **European Union bond issuance of €850bn, will position the EU as the second largest AAA rated issuer in Europe.**



High Correlation to German Sovereigns: EU bonds have also shown to be significantly more correlated to European Sovereign bonds, like German Sovereign Bonds, than to European Corporates¹. **European Union bonds could draw some parallels to US Treasuries which are not linked to one US state but provide funding for the US economy.**



AAA Alternative for Fixed Income Investors: EU bonds serve as a potential complement to European Sovereign bond holdings within portfolios as they are not just linked to one country. They could serve as a means of diversifying European government allocations in fixed income portfolios beyond just German bunds.



ESG angle of EU bonds: All EU bonds issued under the SURE programme fall under the social bond framework and a portion of EU bonds issued under NextGenerationEU could also fall under social or green bond frameworks. As an asset class EU bonds benefit from an MSCI ESG rating of A.

¹ AAA is the highest possible rating that may be assigned to an issuer's bonds by any of the major credit rating agencies. AAA-rated bonds have a high degree of creditworthiness because their issuers are easily able to meet financial commitments and have the lowest risk of default. Rating agencies Standard & Poor's (S&P) and Fitch Ratings use the letters "AAA" to identify bonds with the highest credit quality, while Moody's uses the similar "Aaa", to signify a bond's top tier credit rating.

European Union (EU) Bonds: A rising new player in European bond markets

2020 was a year of many new challenges for economies around the world. For Europe, a region that had already been facing weak inflation, 2020 further exacerbated the problem with the Euro area annual inflation at -0.3%² in December and a weakened growth domestic product (GDP) rate.

The European Central Bank launched a new massive quantitative easing (QE) programme and made available several different types of cheap financing to European banks, but the severity of the crisis required Europe to show a more unified front. The need arose for a similar solution like US Treasuries, providing an additional source of funding to help support a functioning US economy. Europe has historically only issued a limited amount of joint debt (European Union bonds), but the health pandemic has led to a massive new expected issuance to help pave the way forward towards recovery.

The European Commission on behalf of the European Union has put forward two new programmes with a total envelop of around €850 billion to be funded by European Union bonds.

- + **SURE:** Approved on 19 May 2020, the **Support to mitigate Unemployment Risks in an Emergency (SURE)** loan programme, is aimed at helping mitigate unemployment risks to EU member states amid the pandemic by providing loans of up to **€100bn total**. EU SURE bonds fall under the social bond framework and are sustainable bonds.
- + **NextGenerationEU:** with an envelope of **€750bn**, this massive new source of funding aims to help repair the immediate economic and social damage brought about by the coronavirus pandemic. **The goal is to make Europe greener, more digital, more resilient, and a better fit for the current and forthcoming challenges.** The NextGenerationEU regulation was adopted by the Council on 14 December 2020 and awaiting ratification by the Member States.

The **EU long-term budget 2021-2027** together with **NextGenerationEU** form the **largest stimulus package ever financed through the EU budget totalling €1.8 trillion**. Expected EU bond issuance will double the size of the Supranational space as it stands today.

Fixed Income Exposures by WisdomTree

WisdomTree looks to address the needs of investors within the fixed income landscape by delivering exposures to unique asset classes and innovating through strategy. WisdomTree's iBoxx EUR European Union Select strategy provides investors with market access to the rise of a major player in European bond markets via a broad basket of new EU bonds that can benefit from sustainable characteristics.

FUND INFO: WisdomTree EUROPEAN UNION BOND UCITS ETF – EUR ACCUMULATING						
Ticker	Exchange	ISIN	Bloomberg Ticker	Trading Currency	Base Currency	TER*
EUBO	Borsa Italiana	IE00BMXWRM76	EUBO IM	EUR	EUR	0.16%
W1TG	Xetra	IE00BMXWRM76	W1TG GY	EUR	EUR	0.16%

* Total Expense Ratio

^a Considering a period from January 2011 to January 2021 using the Markit Iboxx European Union Bond Select index live index starts 30 Nov 2020 and the BBG Euro-Aggregate Treasury Germany TR Index, includes backtest information.

^b Source: European Commission European Union Investor Presentation dated 15 January 2021, are referenced in a synopsis of Fitch's rating description. Please refer to full rating reports for detailed descriptions of the credit rating.

² Source: Eurostat https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr/default/table?lang=en

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