

WisdomTree

SHORT & LEVERAGED ETPs
Global Flows
September 2020



Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily basis to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor. Potential losses in short and/or leveraged exchange-traded products may be magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange-traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine its suitability to your circumstances.

Importance of WisdomTree Short & Leveraged ETPs Report

Money moves fast in the Short & Leveraged (S&L) world and around \$86 billion as of 30/9/2020 sits within Short & Leveraged ETPs. The WisdomTree Short & Leveraged ETP report tries to make sense of the money moving in and out of S&L ETPs.

Solely looking at inflows and outflows of long-only ETPs fails to present the true picture of investor sentiment. We believe a better measure of sentiment is to try and understand how bullish or how bearish investors are on a particular market. Investors allocating to 3x leveraged exposures demonstrates a bullish sentiment better than looking at long-only ETP inflows. Similarly, a 3x short exposure would demonstrate a bearish view better than looking at long-only ETP outflows.

By illustrating S&L ETPs flows, the WisdomTree Short & Leveraged ETP report provides a nuanced view of investor sentiment for the past month across a range of exposures which cannot be seen using trading flow data.

About the WisdomTree S&L ETP flows report

WisdomTree is a market leading S&L ETP issuer, providing unique data through its monthly S&L ETP flows report. The WisdomTree S&L ETP flows report is compiled through a proprietary global Short & leveraged ETP database which covers and categorises every S&L ETP globally in terms of the underlying investment and leverage factors.

All data provided in this report is sourced from calculations by WisdomTree, which are performed on underlying price, return, AUM, currency and market capitalisation data from Bloomberg®. All data is as of 30 September 2020. All figures are denominated in USD.

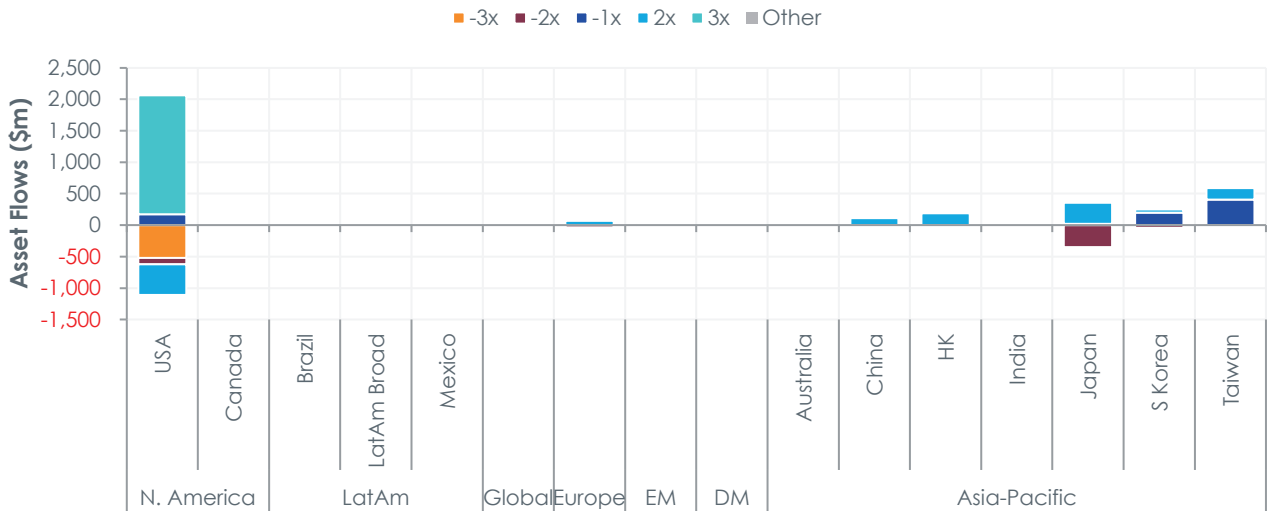
You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

Executive Summary

S&L investors took bullish positions in USA equities last month

- Investors in S&L ETPs closed their 3x leveraged short positions in USA equities and added 3x leveraged long positions over the month of September making the sentiment largely bullish. Some investors, however, sold their 2x long positions over the month.
- US equities retreated in September as uncertainty surrounding second wave risks and upcoming elections clouded risk assets. The S&P 500 Index was down just under 4% while the NASDAQ 100 Index was down around 5.7% as the sell-off was more pronounced in the tech sector.

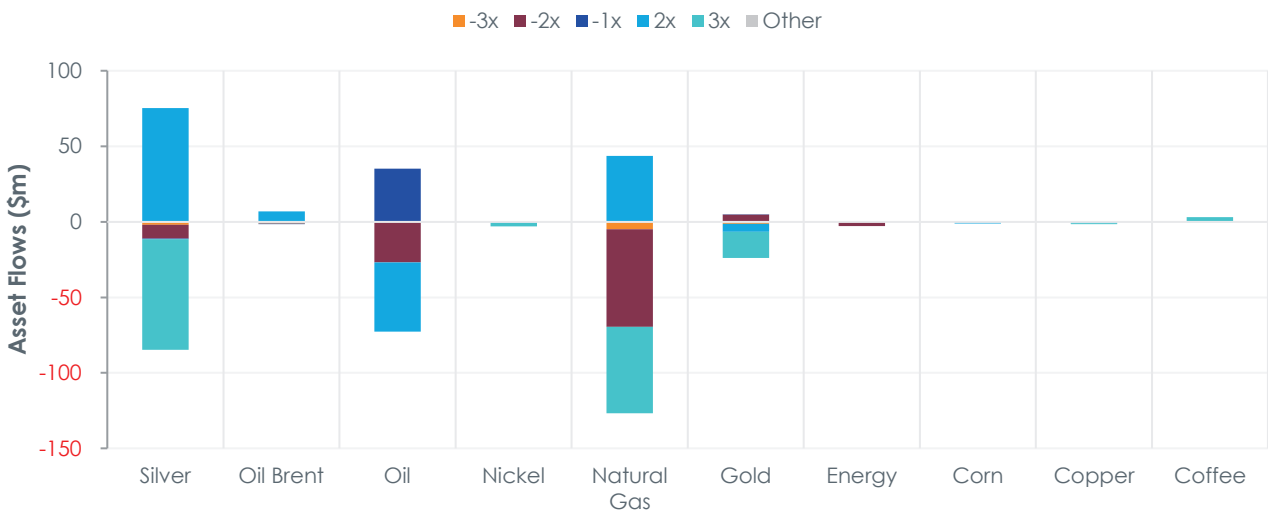
Global Equities August 2020 Flows - Asset Flows by Leverage Factor



S&L Investors took bullish and bearish positions in silver in September

- S&L investors added 2x leveraged long positions in silver in September but also closed a number of 3x leveraged long positions. Silver prices were down over 8% in September as gains in the US dollar caused both gold and silver to retreat.
- S&L investors also continued to trade in natural gas in September. Natural gas prices had previously made strong gains in July and August after falling to a 25-year low in June but were down again in September.
- Investors also traded the volatility in oil prices last month closing some of their leveraged long positions and adding new short positions. Oil prices fell in September as a broader sell-off in risk assets caused weakness in cyclical commodities as well.

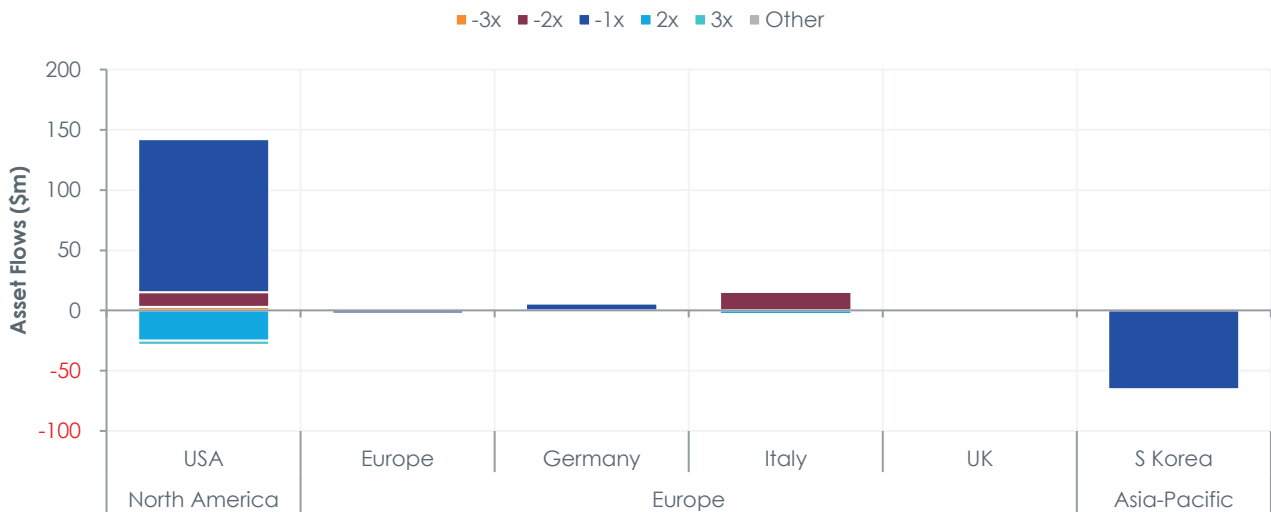
Global Commodities August 2020 Flows - Asset Flows by Leverage Factor



Rebound in the US meanwhile mixed elsewhere

- In August, S&L investors decreased their positions in long US government bond ETPs by \$28mIn and increased their positions in short US government bond ETPs by \$142mIn highlighting a greater investor tilt towards optimism for US government bond yields to rise as economic data in the US continues to show signs of an economic rebound albeit one that is slowly. In particular, with producers aiming to catch up with the resurgence in demand for goods we may see demand surpass supply and inflation potentially moving higher.
- Investors in S&L ETPs reduced their positions in 1x short S Korea government bond ETPs by \$65mIn. In September, South Korea printed one of the largest increases in inflation since March of this year and at the same time data indicated a pickup in Manufacturing PMI from the previous month. Given the economic uncertainty in the horizon as government-imposed lockdown measures were only recently loosened in the region, investors closed their short positions over the month.

Global Debt August 2020 Flows - Asset Flows by Leverage Factor



Global Asset Allocation

- The total global AUM of Short & Leveraged (S&L) ETPs was \$86.2 billion as of 30/09/2020
- 39% of AUM is held in short products with leverage factors ranging between -1x to -3x. 61% of AUM is held in long products with leverage factors ranging from +2 and above. The leverage factor with the most assets is +2x, with 31% of AUM.
- In terms of S&L asset allocation, equity ETPs are the most popular with 87% of AUM, followed by commodities with 8% and debts with 3%. The remainder is allocated between currency and alternative ETPs.

All data provided in this report is sourced from calculations by WisdomTree, which are performed on underlying price, return, AUM, currency and market capitalisation data from Bloomberg®. All data is as of 31 September 2020. All figures are denominated in USD.

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Table of Contents

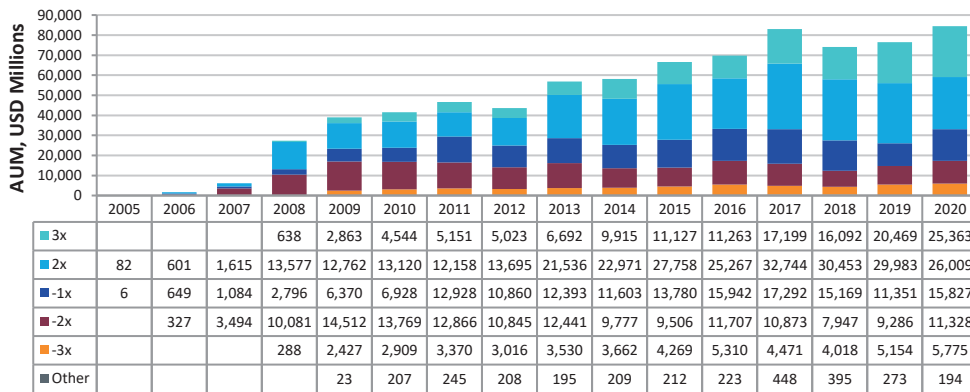
Importance of WisdomTree Short & Leveraged ETPs Report	2
Executive Summary	3
Global Growth of S&L ETFs/ETPs	6
Global Asset Allocation	7
Short & Leveraged Equities	9
<i>Global Equities</i>	<i>9</i>
<i>European Equities Breakdown</i>	<i>11</i>
Short & Leveraged Government Debt	13
<i>Global Debt</i>	<i>13</i>
Short & Leveraged Commodities	15
<i>Global Commodities</i>	<i>15</i>
Short & Leveraged Currencies	17
<i>Global Currencies</i>	<i>17</i>
Data, Methodology and Terms Used	19

Global Growth of S&L ETFs/ETPs

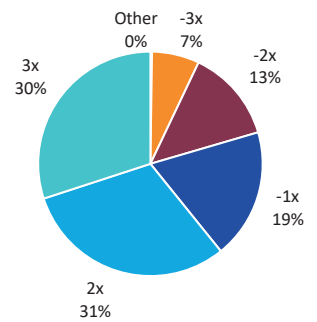
AUM and Number of Products



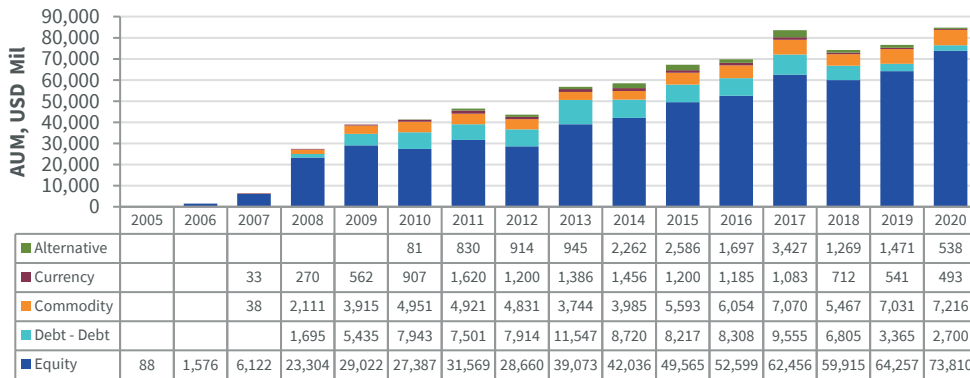
AUM by Leverage Factor



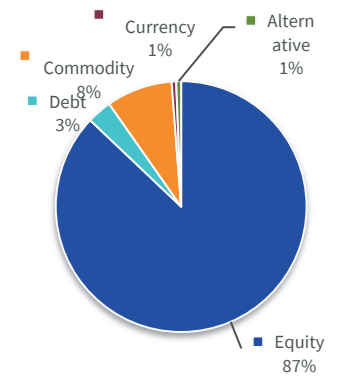
As of 30th September 2020



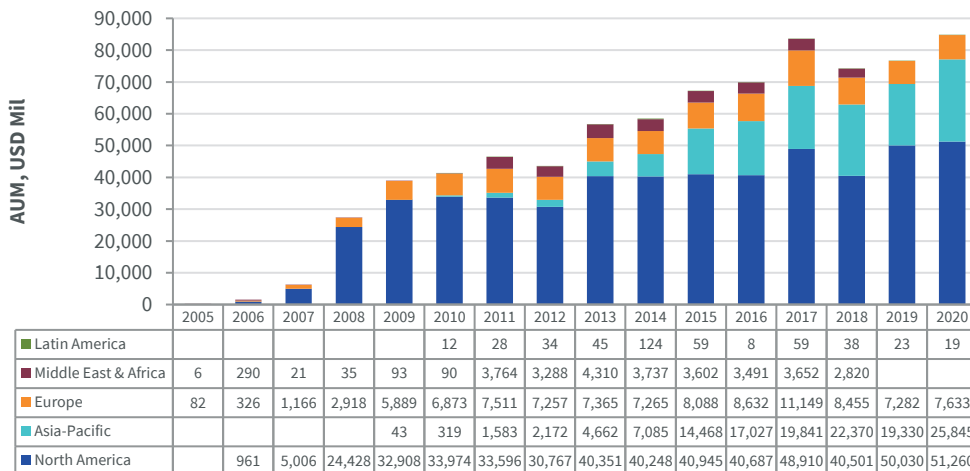
AUM by Asset Class



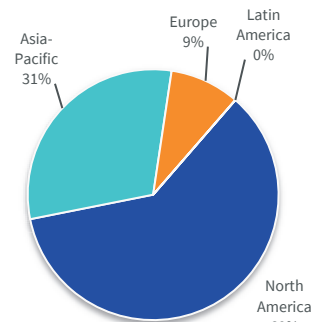
As of 30th September 2020



AUM by Domicile Region



As of 30th September 2020

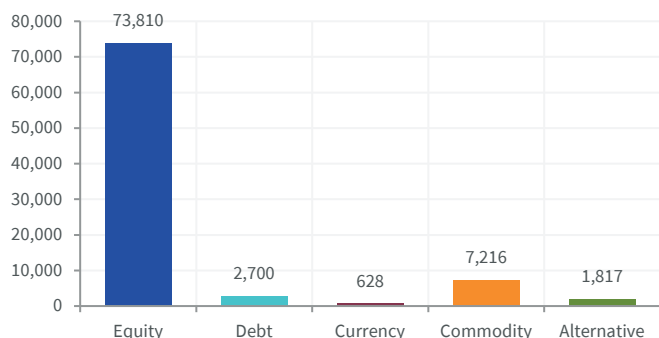


Global Asset Allocation

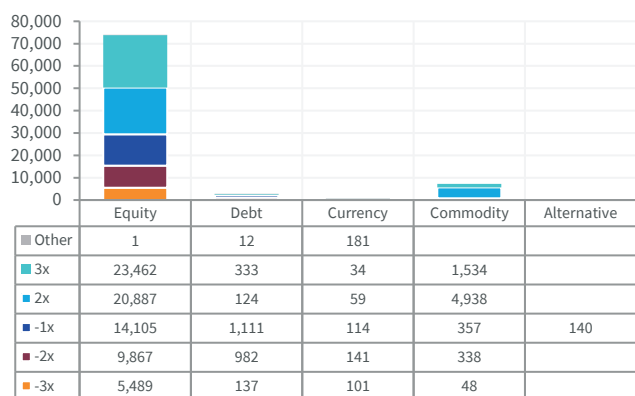
Current Allocations

As of 30th September 2020; Figures in USD Mil.

AUM

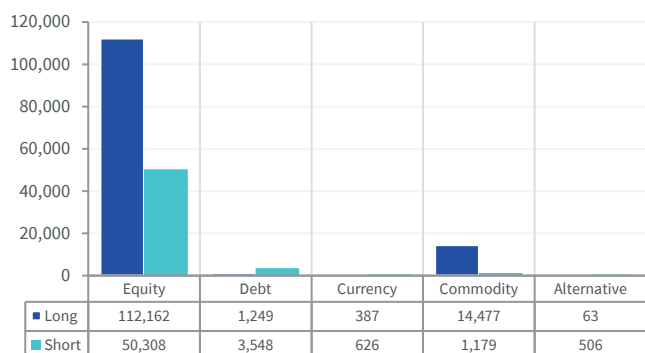


AUM by Leverage Factor



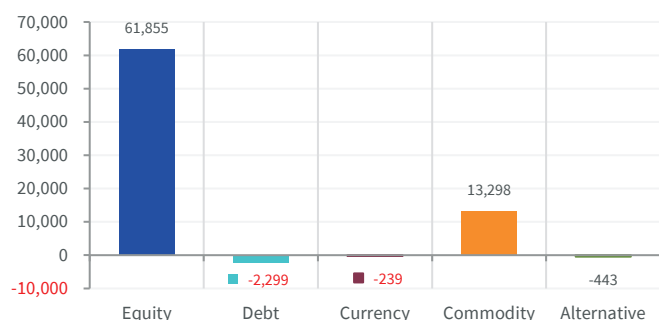
Notional AUM by Long / Short ETPs

The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM



Net Position

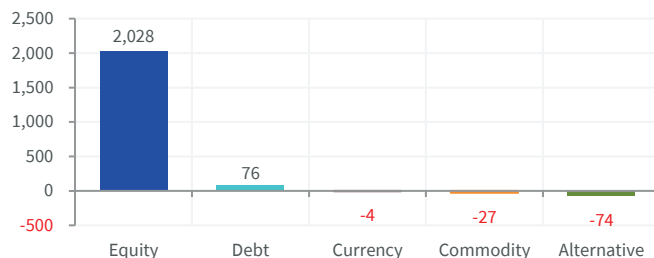
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



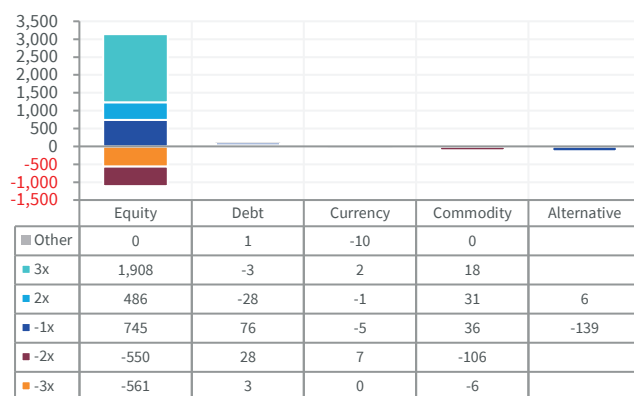
September 2020 Flows

Over September 2020; Figures in USD Mil.

Asset Flows

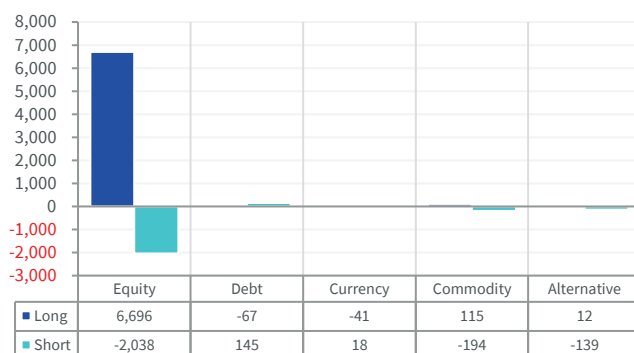


Asset Flows by Leverage Factor



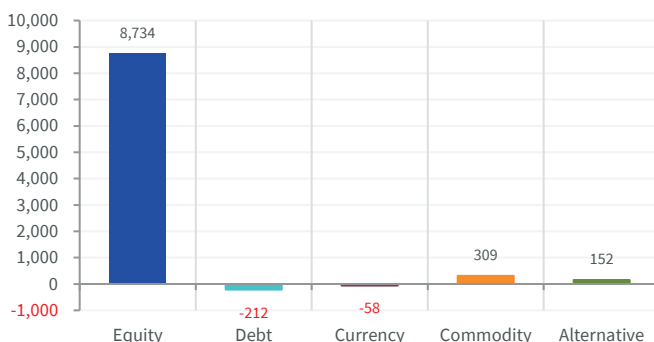
Notional Flows by Long / Short ETPs

The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow



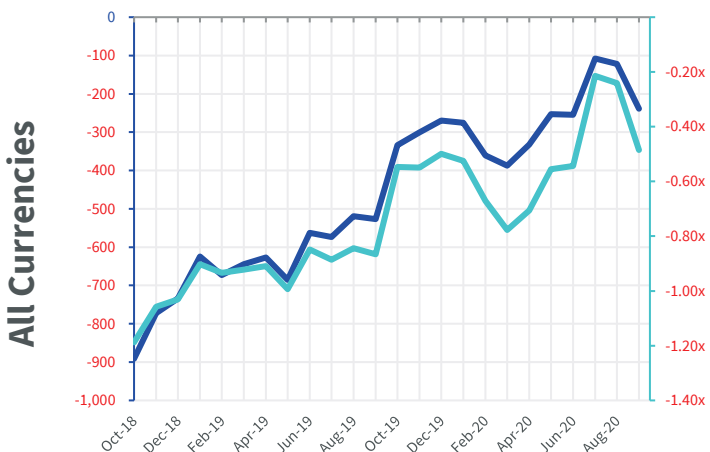
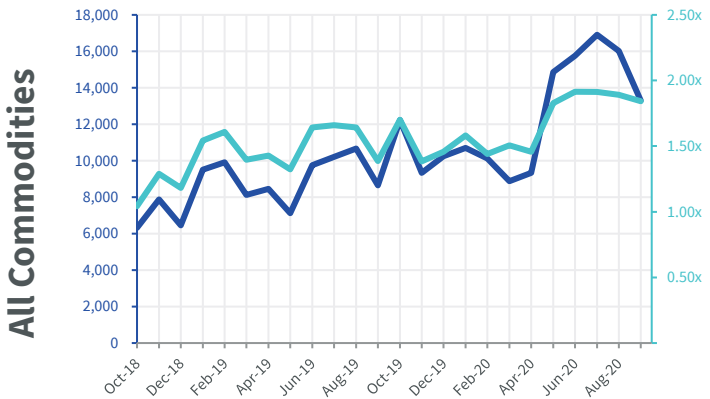
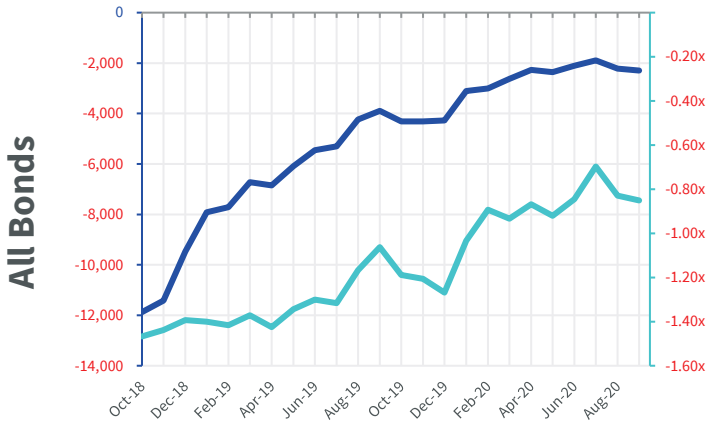
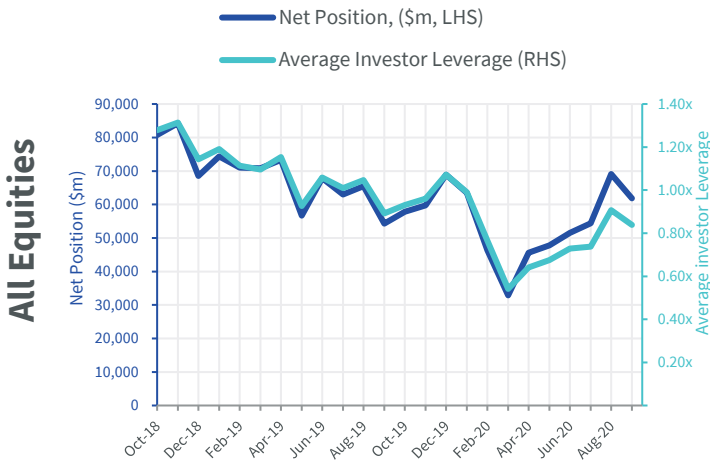
Net Position Flows

The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

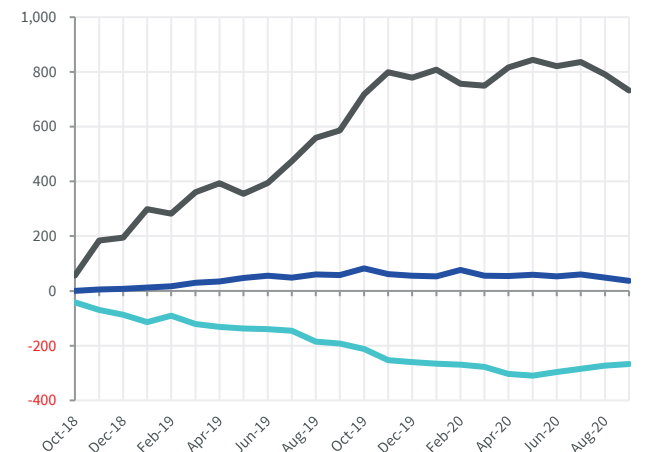
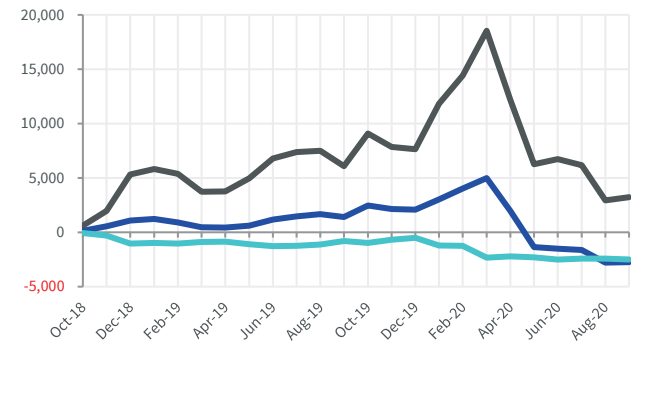
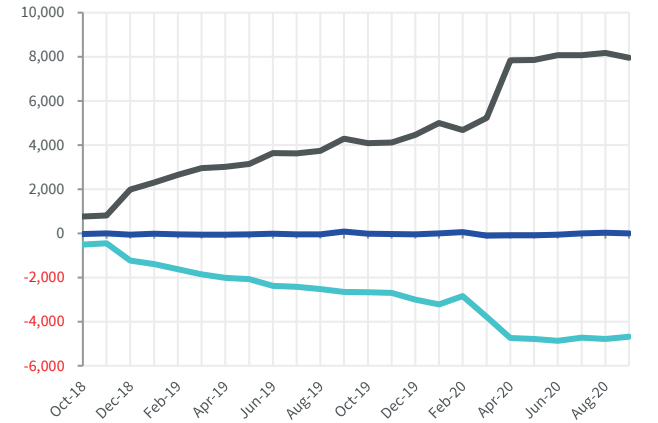
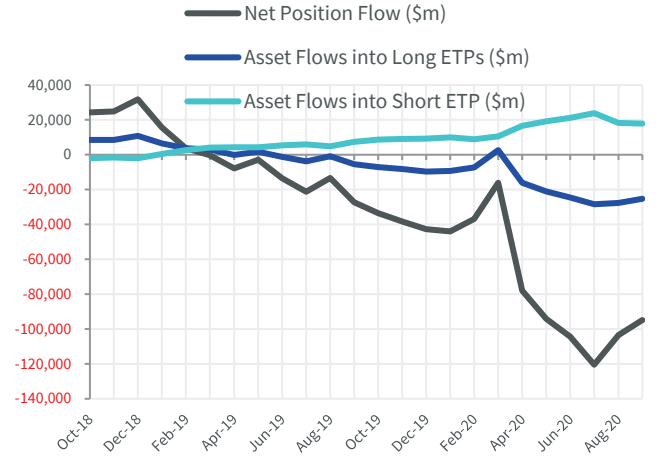


Global Asset Allocation - Historical View

Net Position and Average Investor Leverage



Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



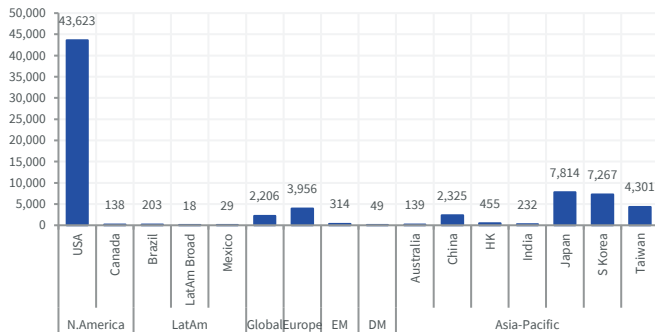
Short & Leveraged Equities

Global Equities

Current Allocations

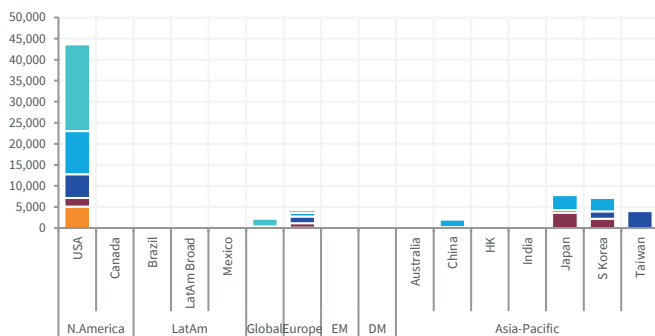
By Geographic Exposure; As of 30th September 2020; Figures in USD Mil.
 "Europe" represents the sum total of ETPs exposed to Europe or European countries.

AUM



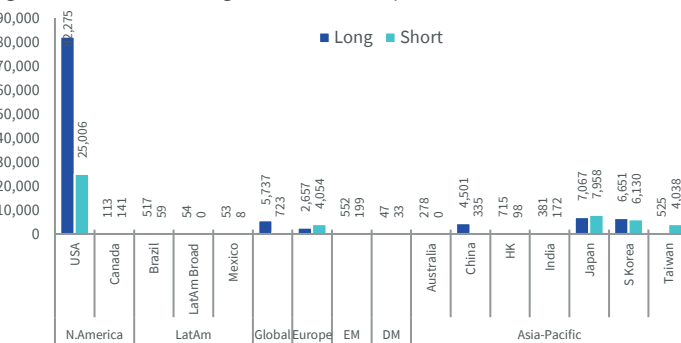
AUM by Leverage Factor

Legend: -3x (orange), -2x (dark red), -1x (blue), 2x (teal), 3x (light blue), Other (grey)



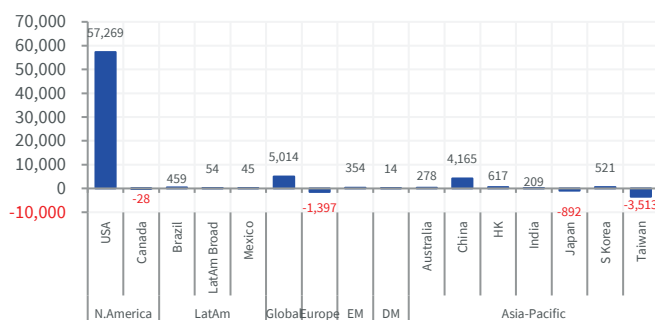
Notional AUM by Long / Short ETPs

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Net Position

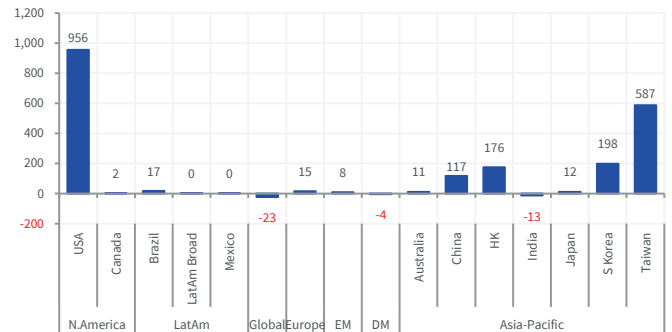
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



September 2020 Flows

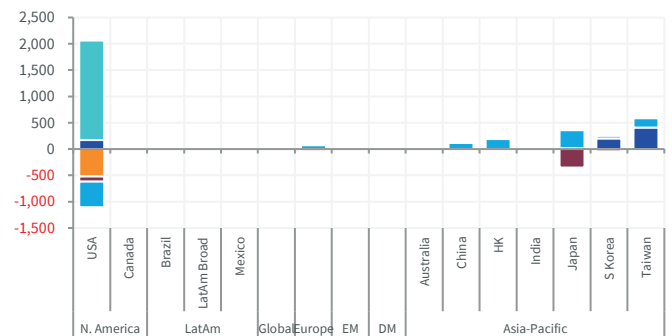
By Geographic Exposure; During September 2020; Figures in USD Mil.

Asset Flows



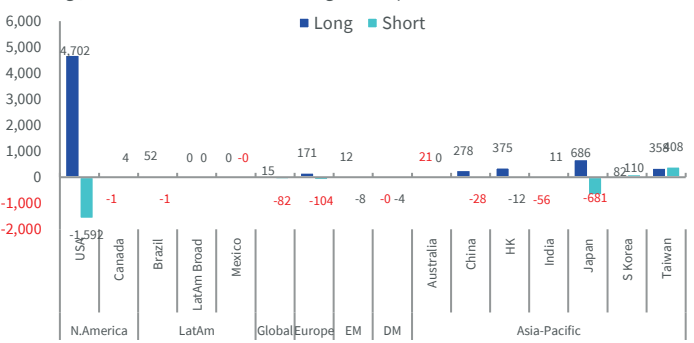
Asset Flows by Leverage Factor

Legend: -3x (orange), -2x (dark red), -1x (blue), 2x (teal), 3x (light blue), Other (grey)



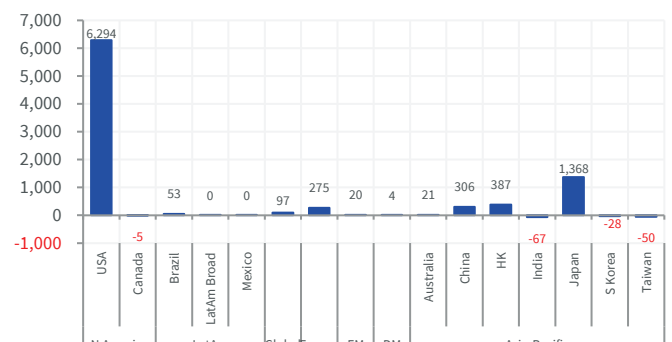
Notional Flows by Long / Short ETPs

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Net Position Flows

The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

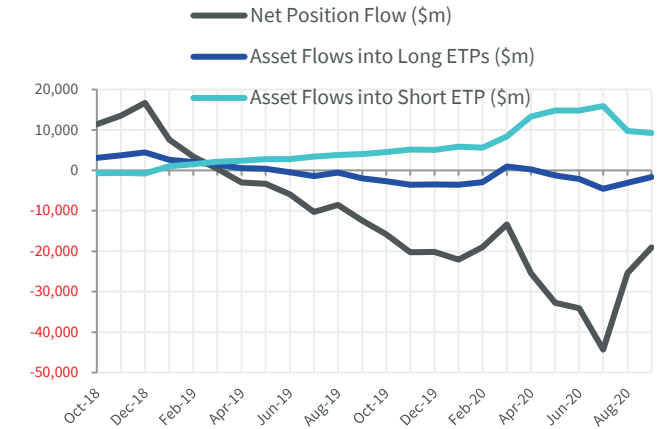
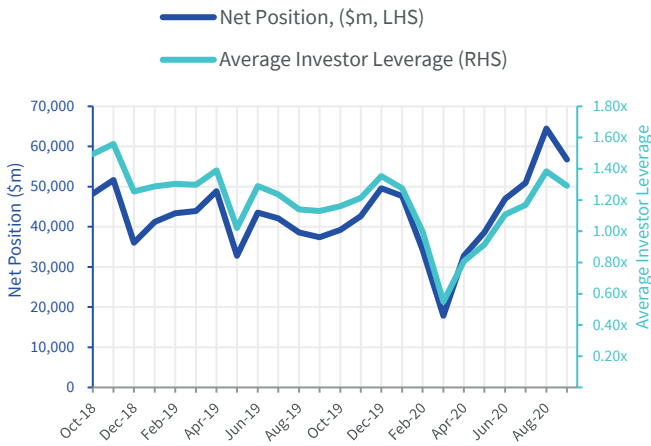


Global Equities - Historical View

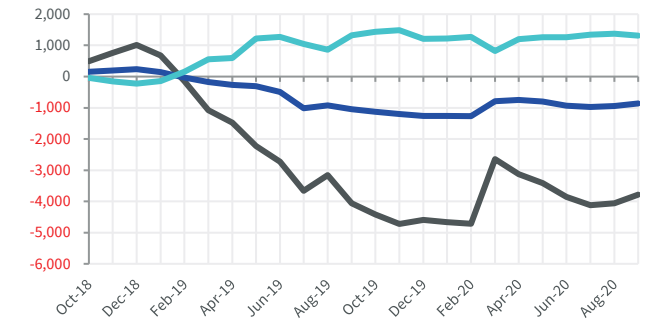
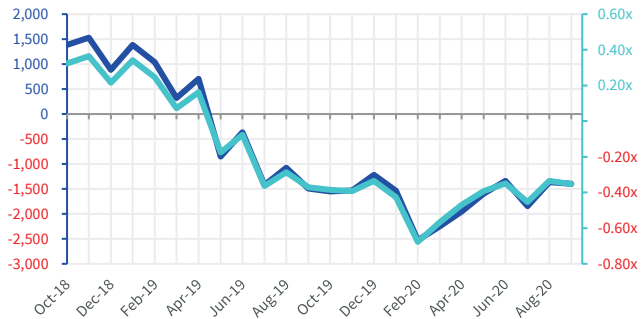
Net Position and Average Investor Leverage

Cumulative Asset Flows into Short / Long ETPs and Net Position Flows

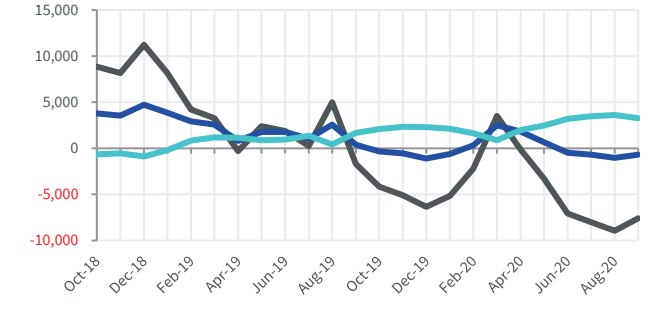
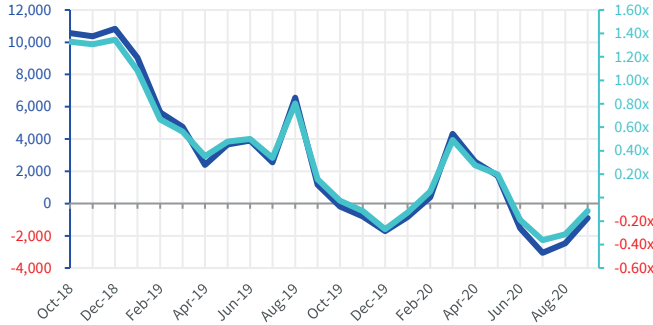
US Equities



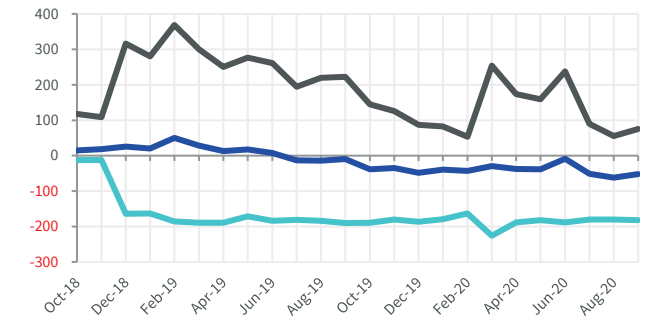
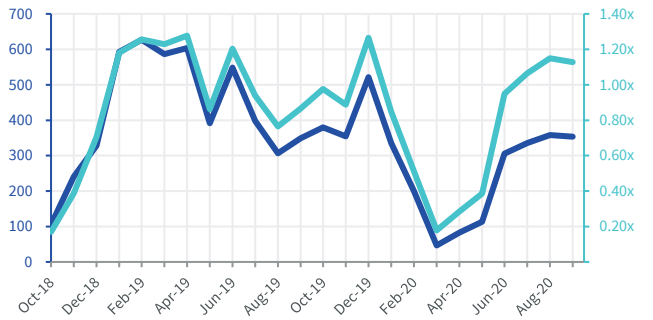
All Europe Equities



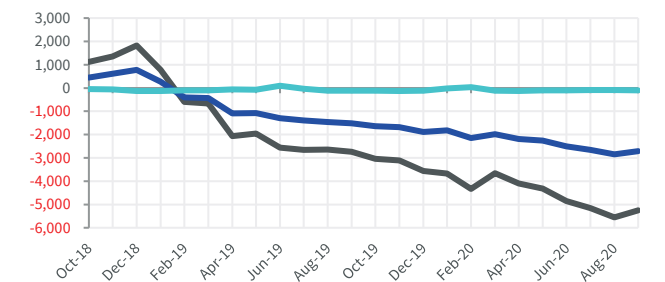
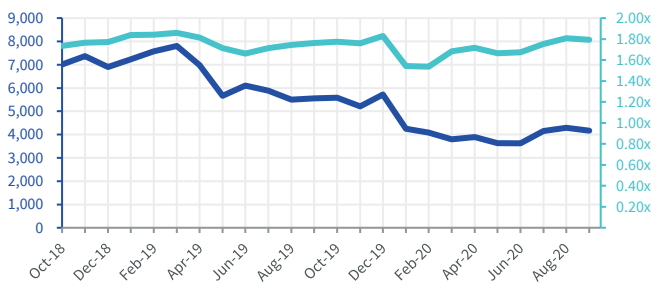
Japan Equities



EM Equities



China Equities



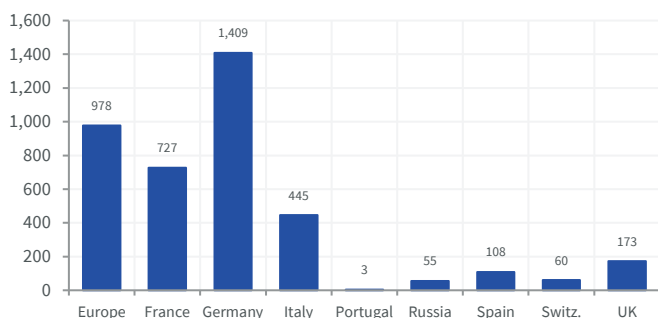
European Equities Breakdown

Current Allocations

By Geographic Exposure; As of 30th September 2020; Figures in USD Mil.
"Europe" represents ETPs exposed to Europe as a region.

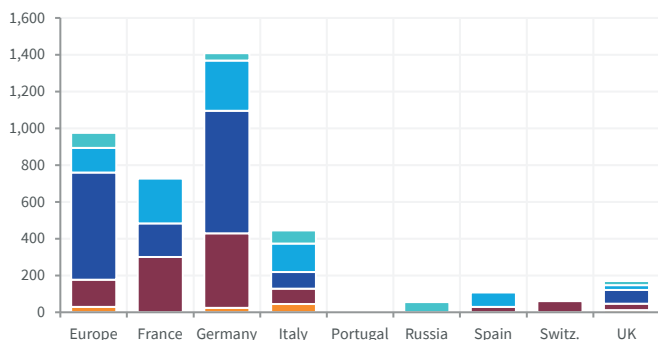
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

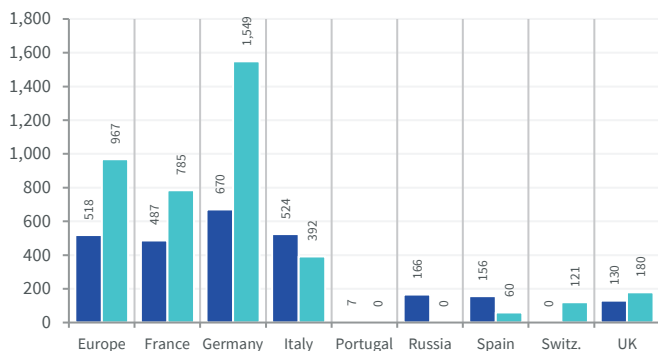
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

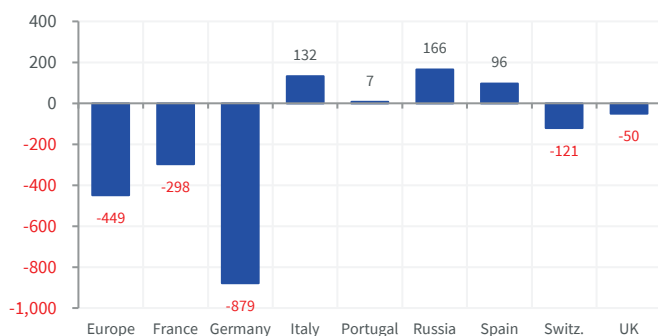
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

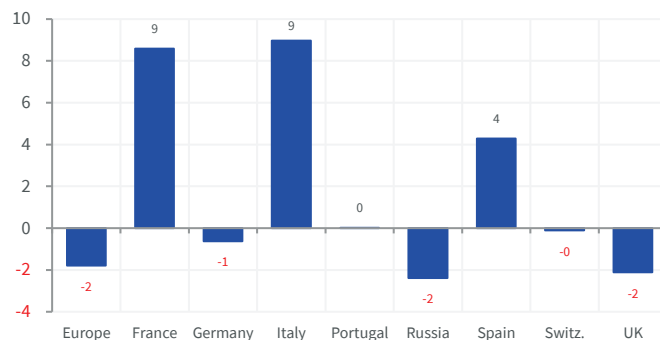
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



September 2020 Flows

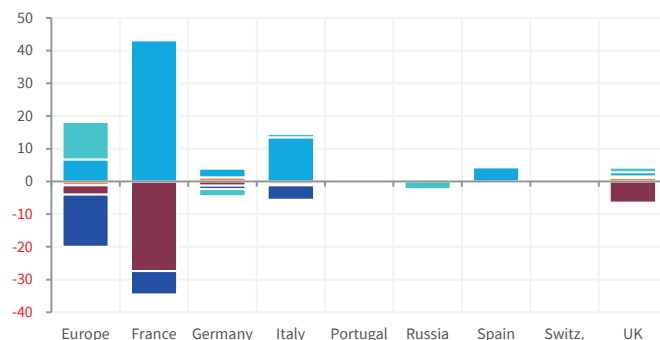
By Geographic Exposure; Over September 2020; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

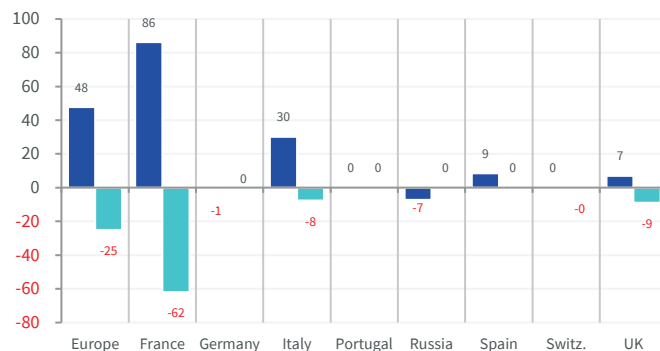
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

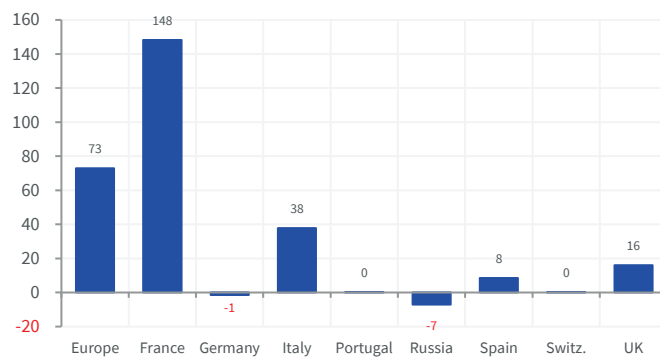
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Legend: Long, Short



Net Position Flows

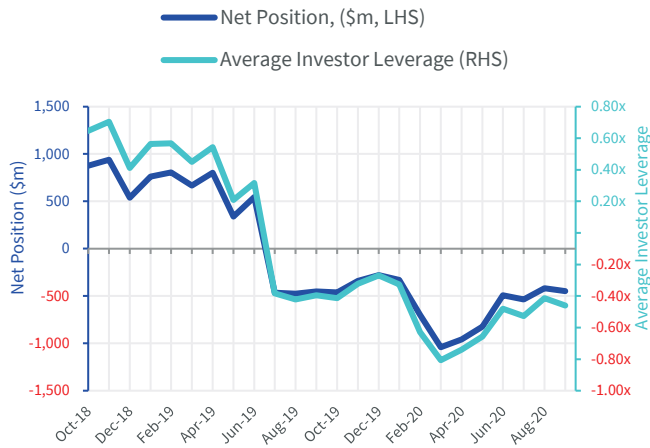
The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows



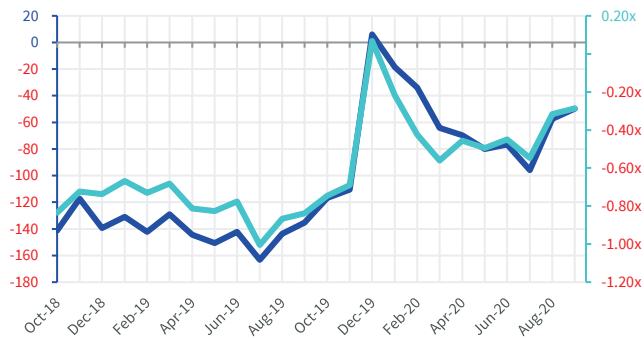
Europe Equities - Historical View

Net Position and Average Investor Leverage

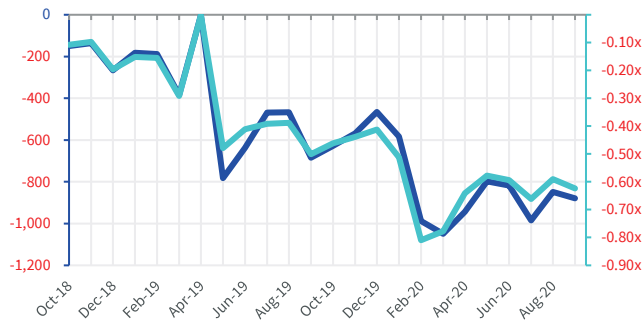
Broad Europe Equities



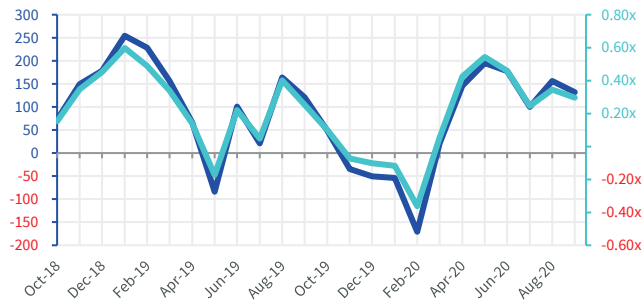
UK Equities



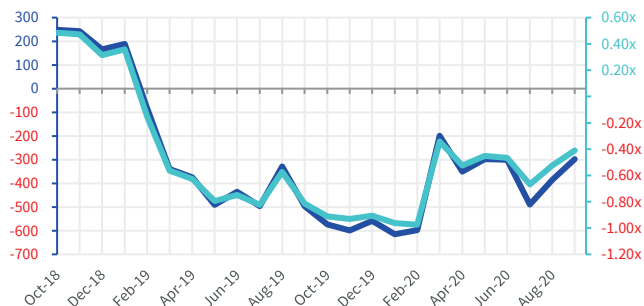
Germany Equities



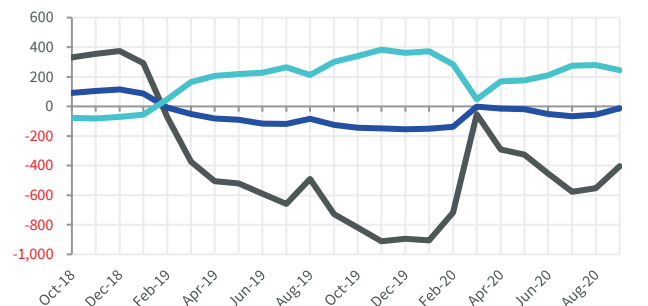
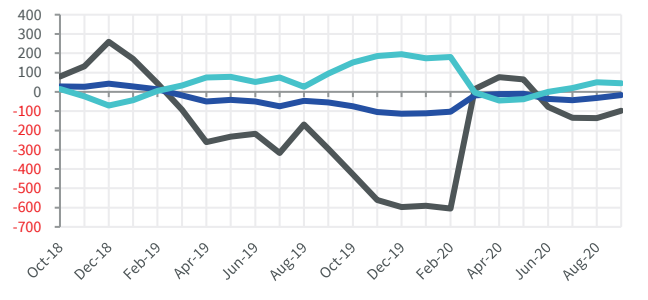
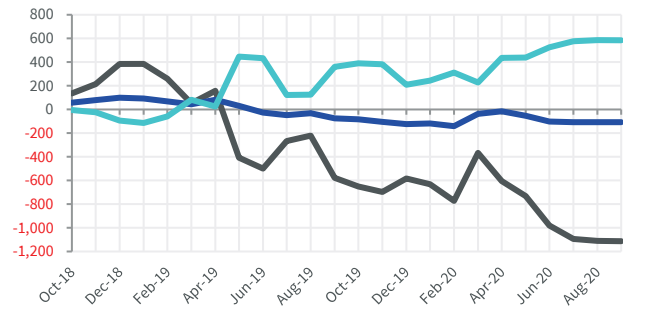
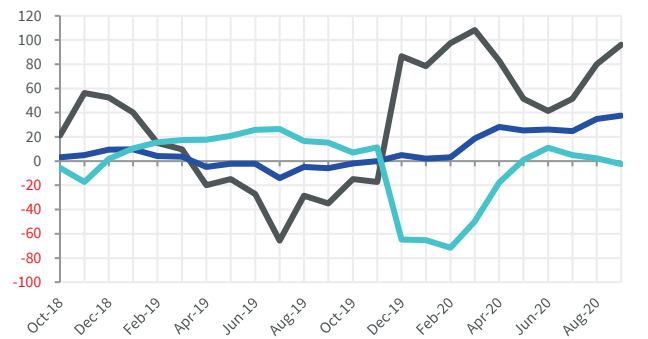
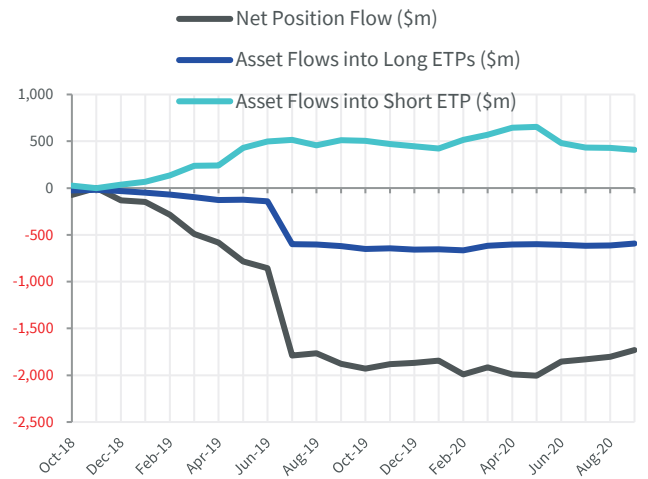
Italy Equities



France Equities



Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



Short & Leveraged Government Debt

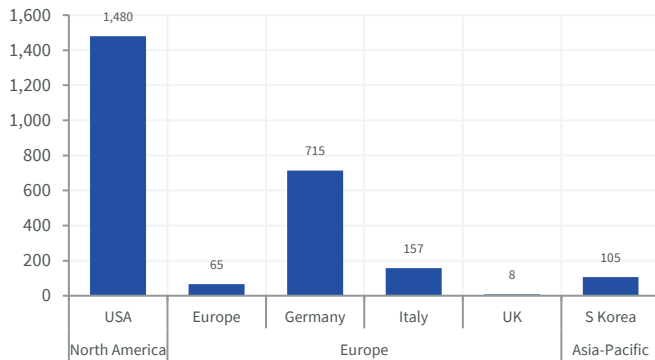
Global Debt

Current Allocations

By Geographic Exposure; As of 30th September 2020; Figures in USD Mil.

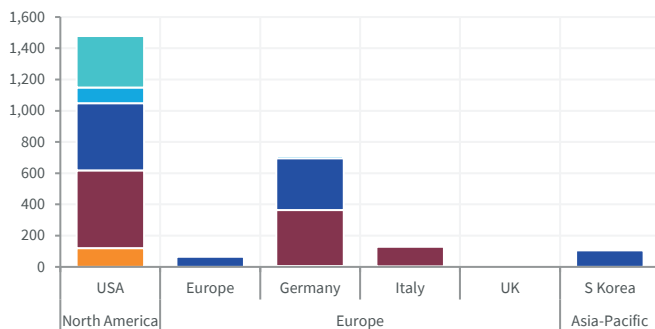
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

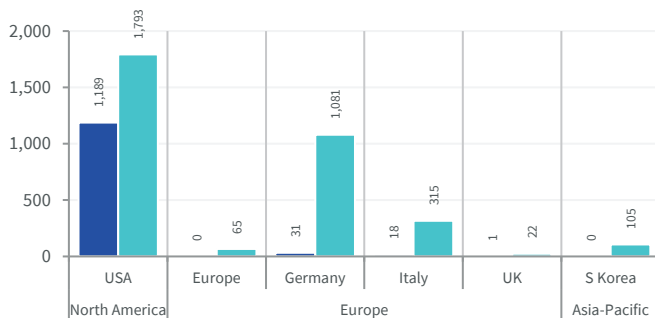
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

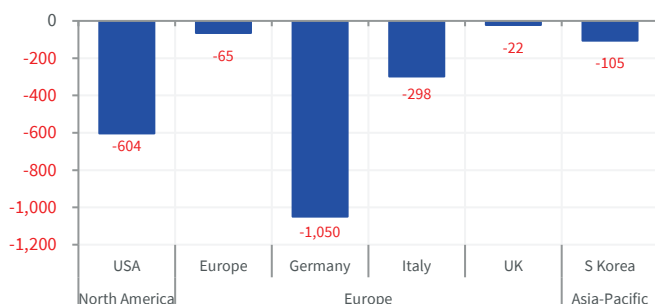
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

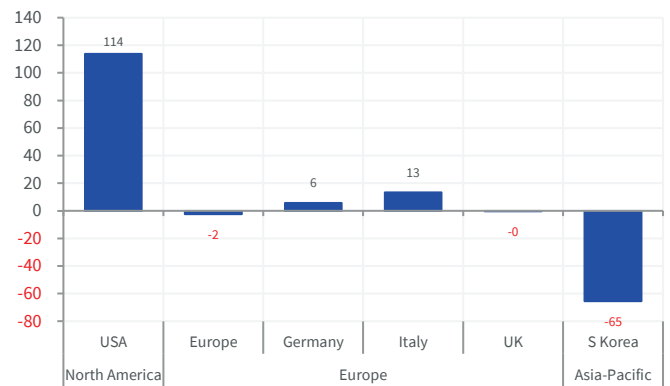
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



September 2020 Flows

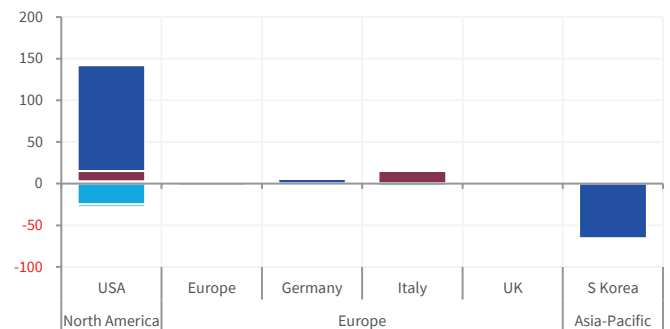
By Geographic Exposure; Over September 2020; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

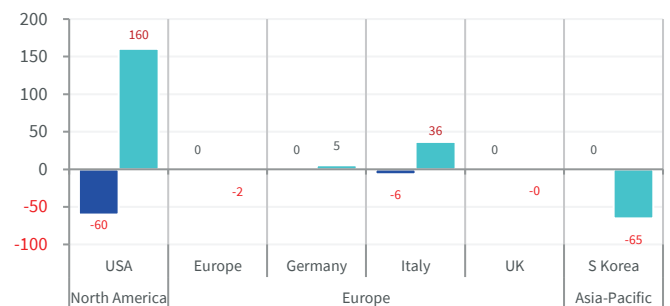
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

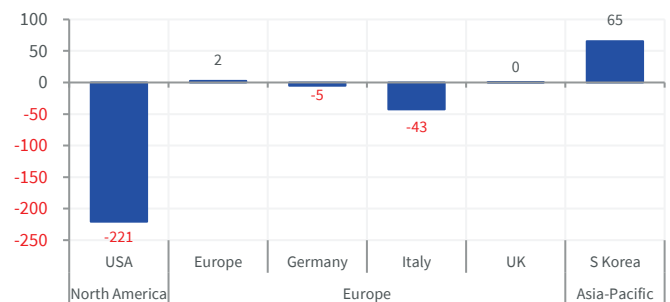
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



Net Position Flows

The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

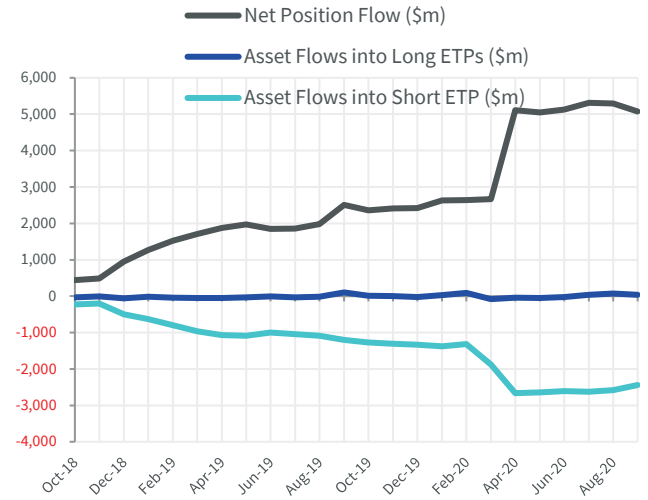
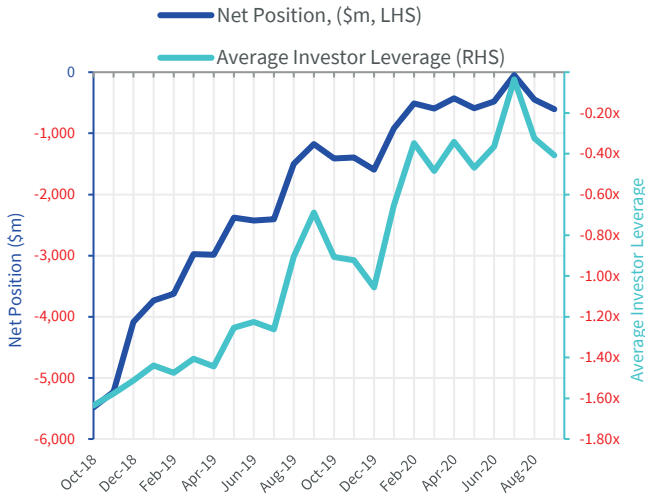


Global Debt - Historical View

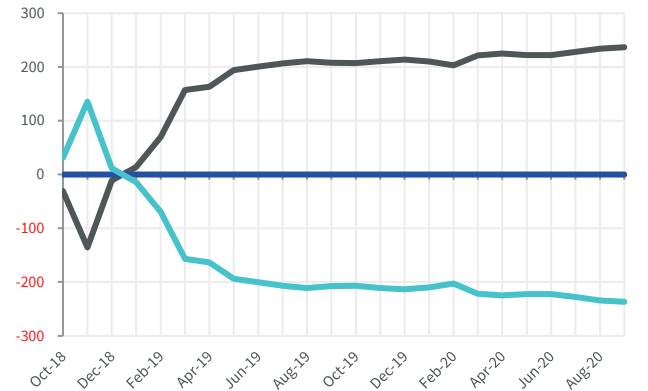
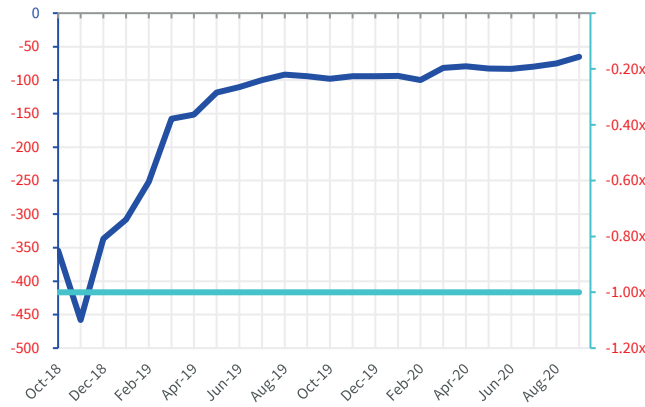
Net Position and Average Investor Leverage

Cumulative Asset Flows into Short / Long ETPs and Net Position Flows

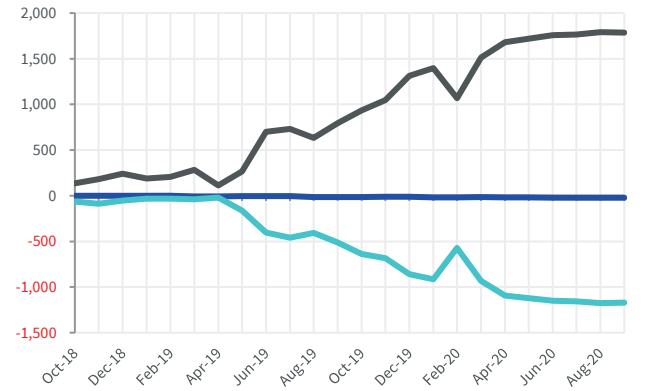
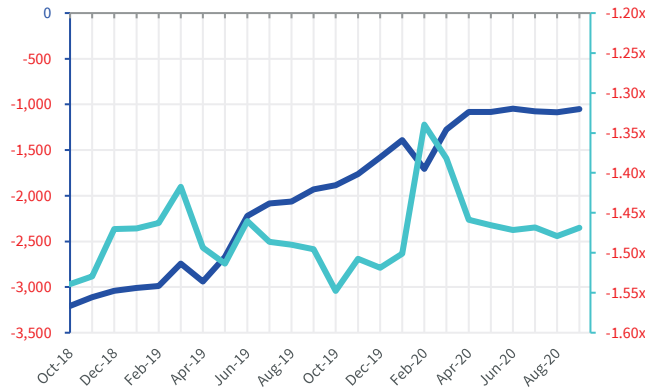
US Gvt Bonds



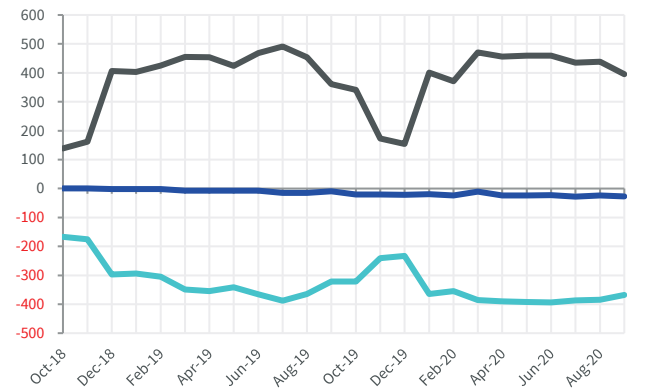
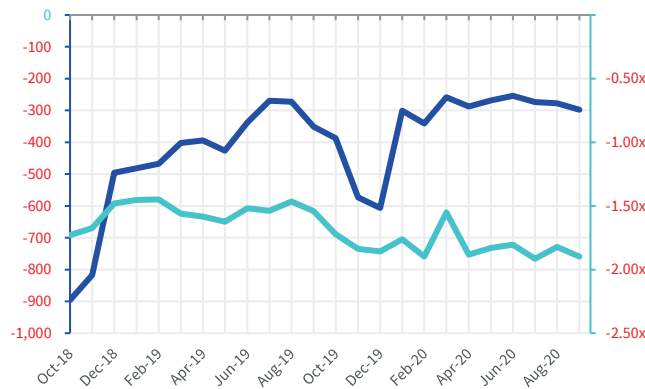
Europe Gvt Bonds



Germany Gvt Bonds



Italy Gvt Bonds



Short & Leveraged Commodities

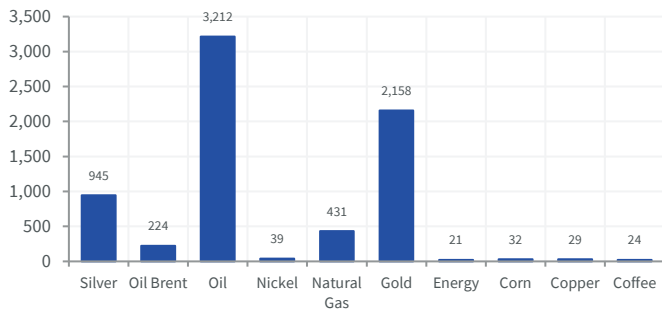
Global Commodities

Current Allocations

By commodity exposure; As of 30th September 2020; Figures in USD Mil; Showing the top 10 AUM commodity exposures

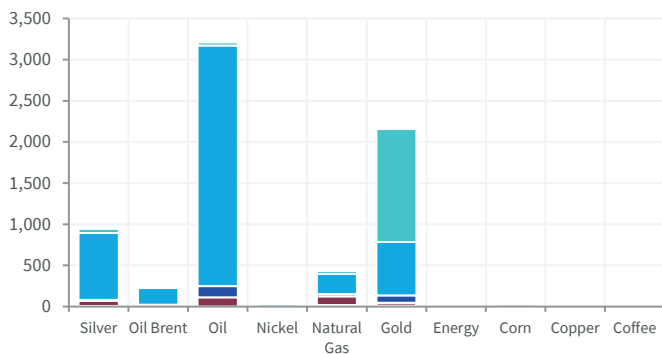
AUM

Showing commodity exposures with the top 10 AUMs



AUM by Leverage Factor

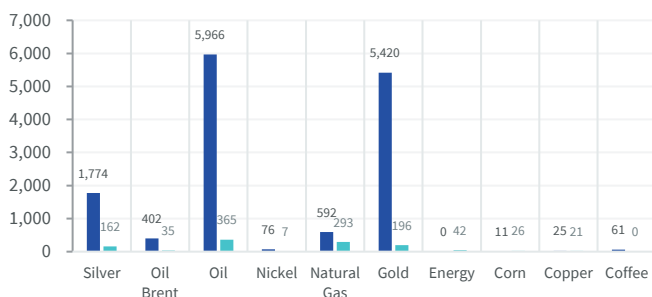
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

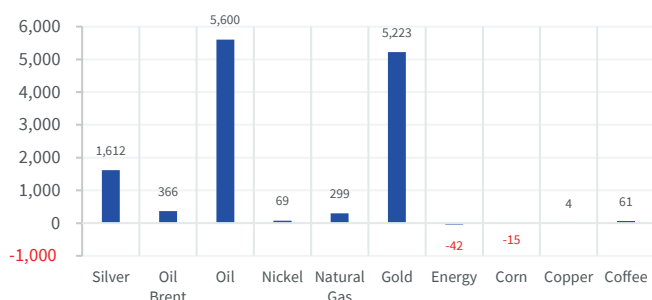
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

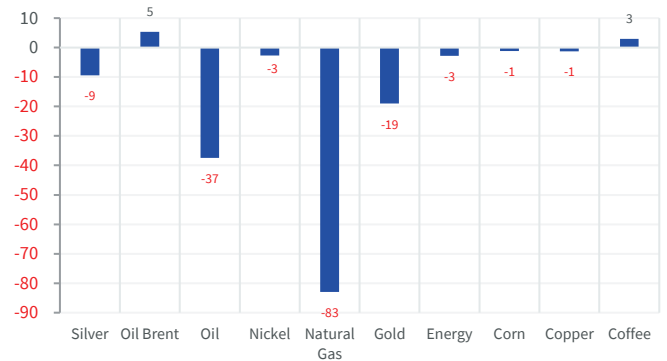
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



September 2020 Flows

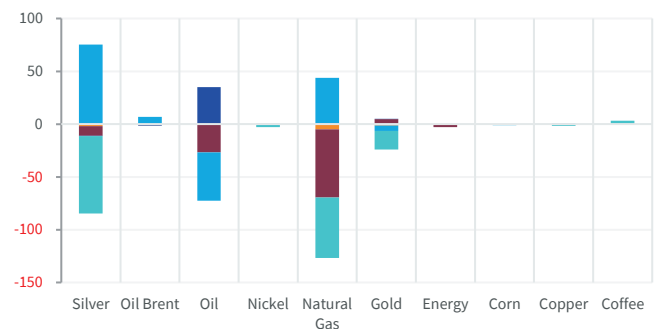
By commodity exposure; Over September 2020; Figures in USD Mil; Showing the Flows for top 10 AUM commodity exposures

Asset Flows



Asset Flows by Leverage Factor

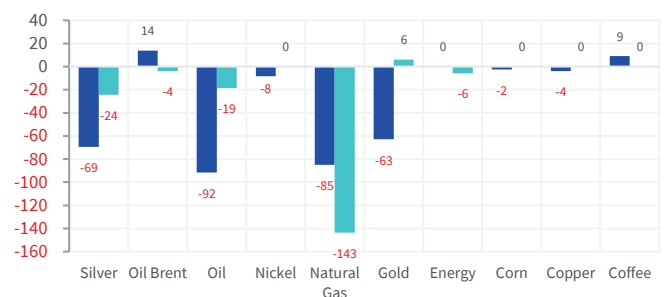
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

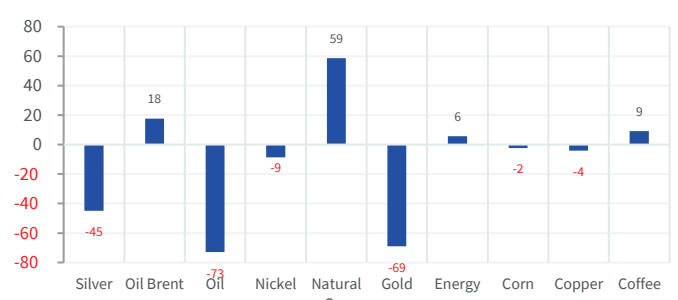
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



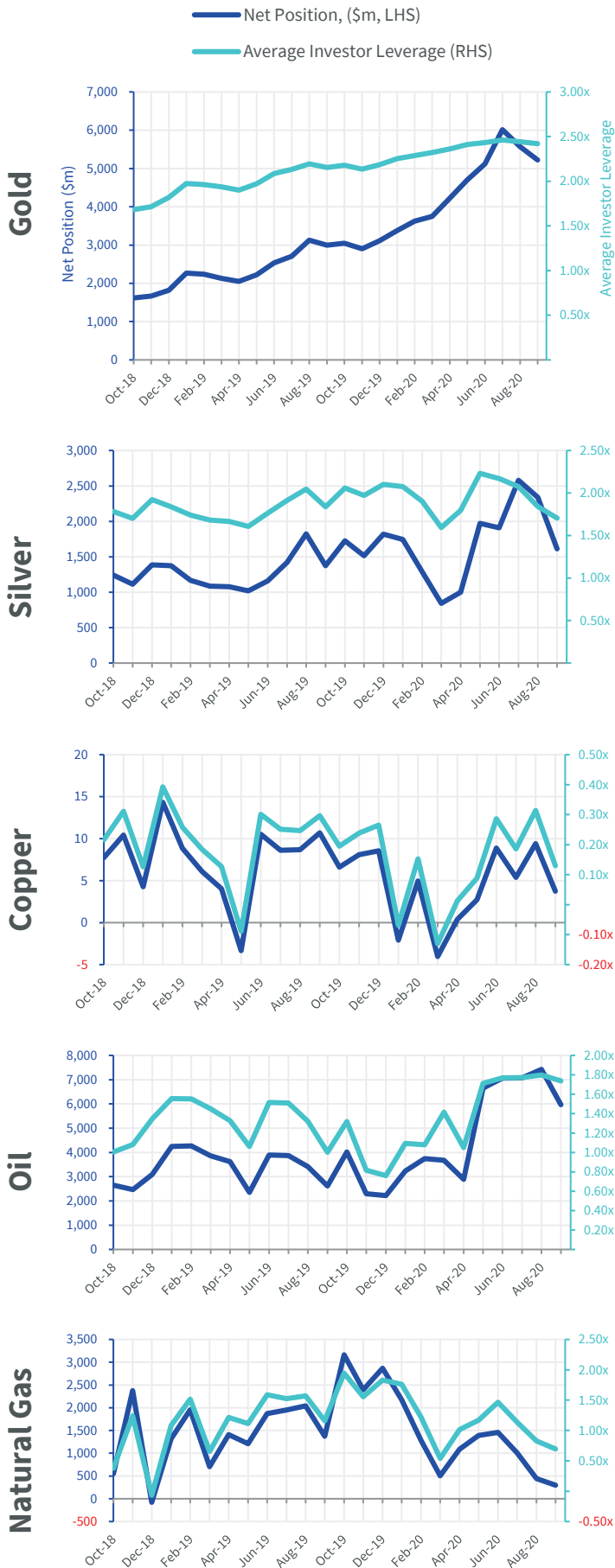
Net Position Flows

The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

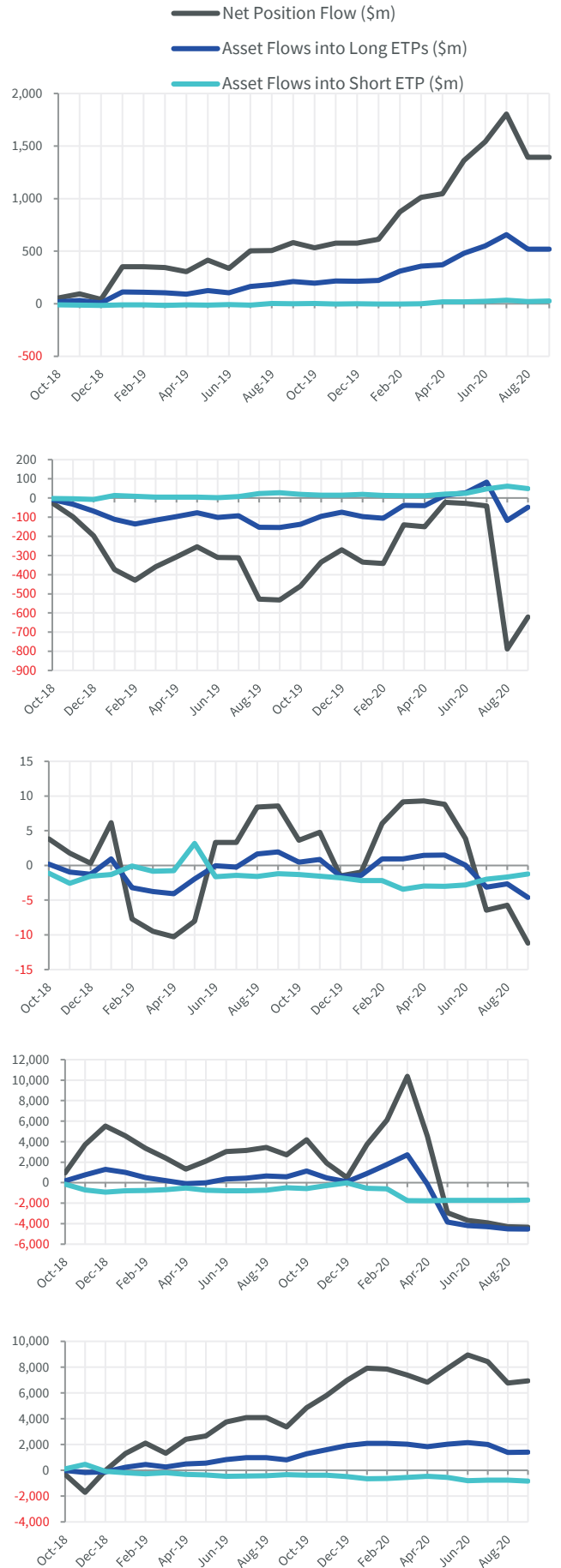


Global Commodities - Historical View

Net Position and Average Investor Leverage



Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



Short & Leveraged Currencies

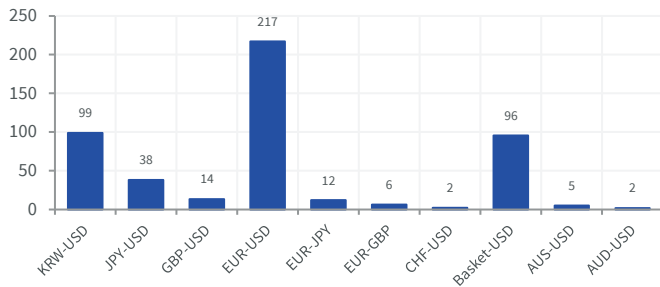
Global Currencies

Current Allocations

By currency exposure; As of 30th September 2020; Figures in USD Mil; Showing the top 10 AUM currency exposures

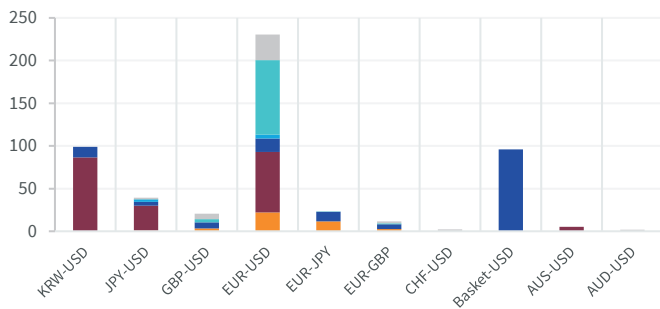
AUM

Showing currency exposures with the top 10 AUMs



AUM by Leverage Factor

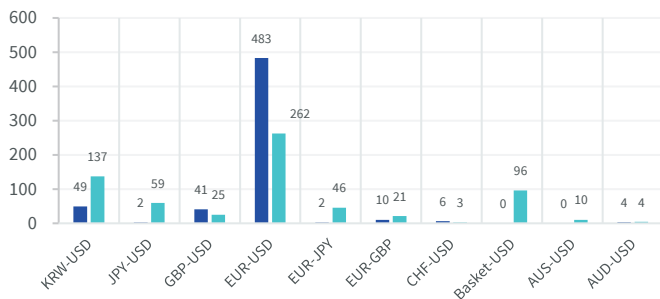
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

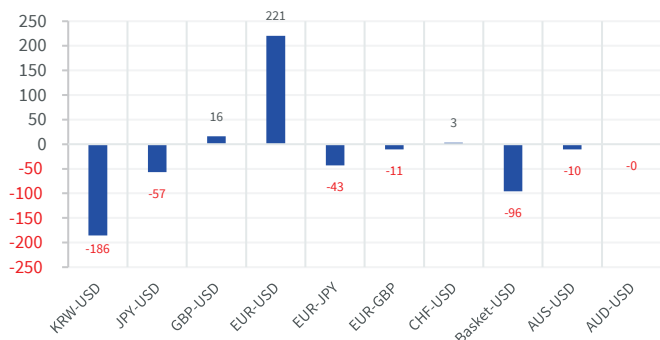
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

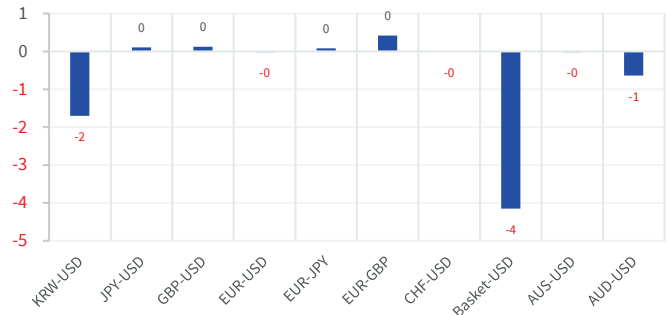
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



September 2020 Flows

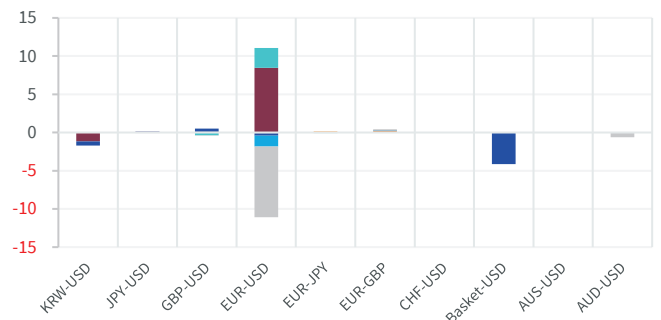
By currency exposure; Over September 2020; Figures in USD Mil; Showing the Flows for top 10 AUM currency exposures

Asset Flows



Asset Flows by Leverage Factor

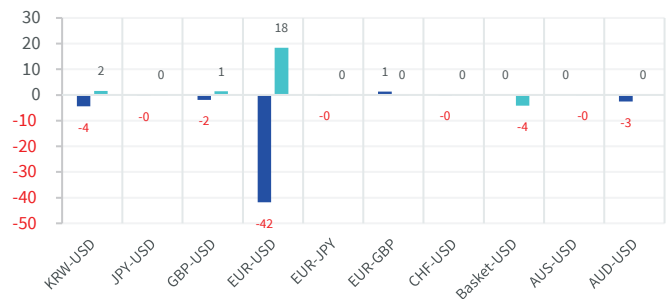
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

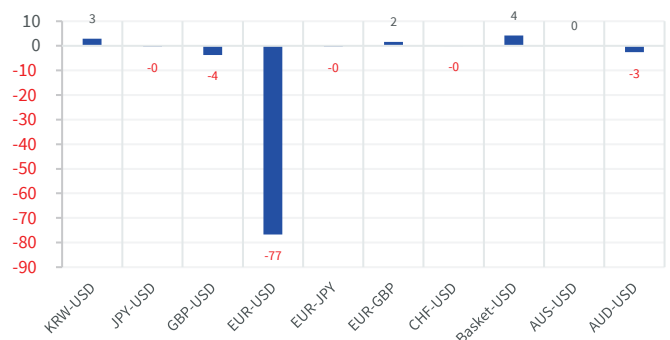
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



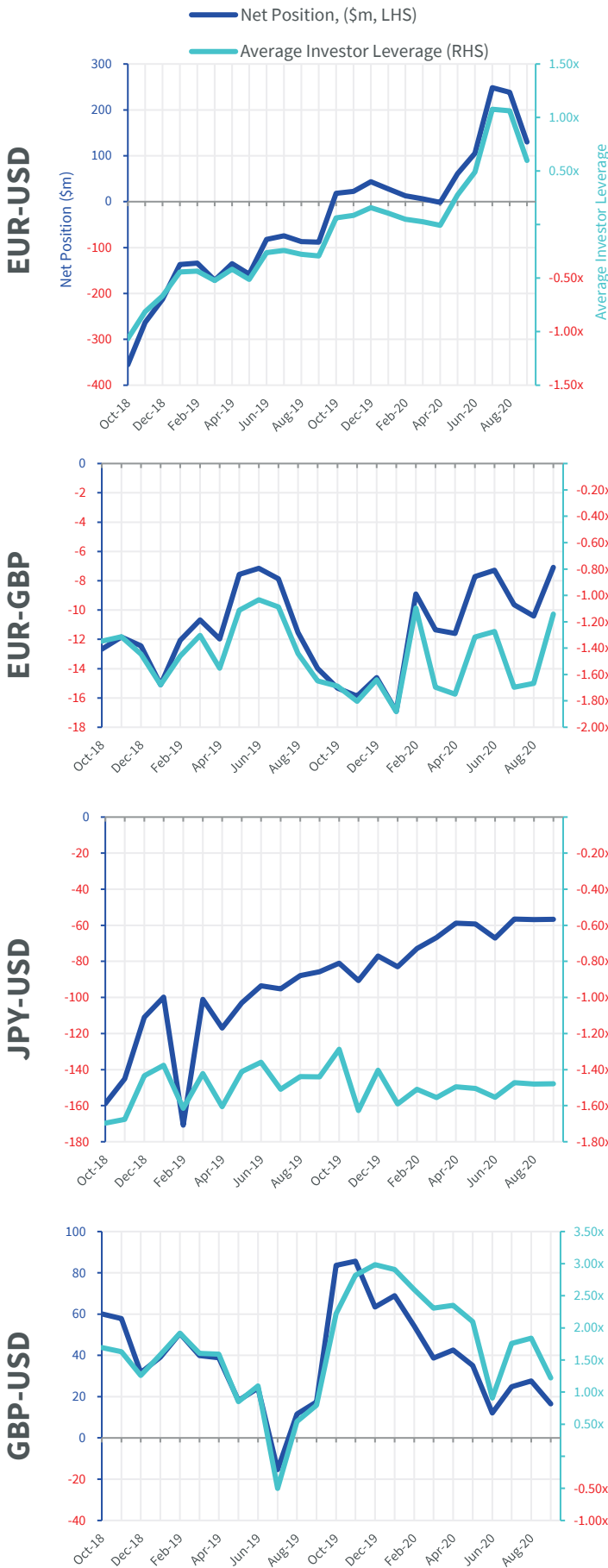
Net Position Flows

The notional flow in long ETPs minus the notional flow in short ETPs. A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

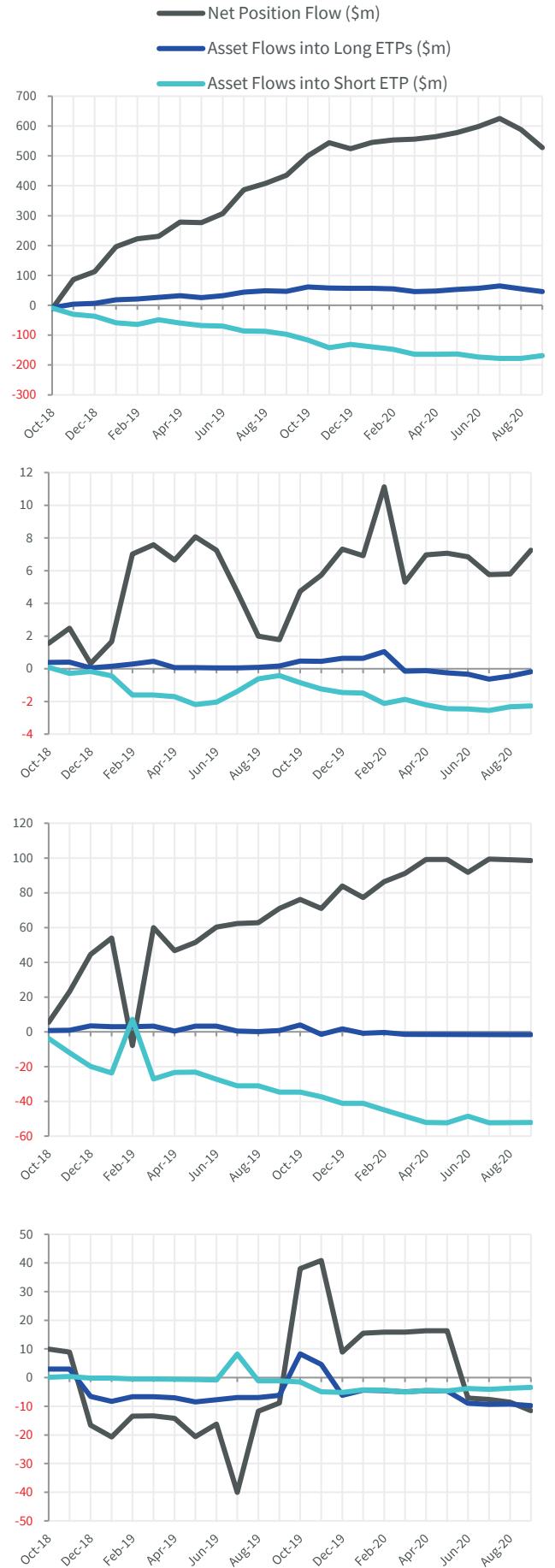


Global Currencies - Historical View

Net Position and Average Investor Leverage



Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



Data, Methodology and Terms Used

This report provides statistics of AUM, flows and related measures for short & leveraged Exchange Traded Products (ETPs).

Following are some definitions for the terms used in the analyses:

ETP (Exchange Trade Product) is used as a generic, interchangeable term to refer to Exchange Traded Funds (ETFs), Exchange Traded Products (ETPs), Exchange Traded Notes (ETNs) and Exchange Traded Commodities (ETCs).

Short & Leveraged ETPs (S&L ETPs) are ETPs whose leverage factor with respect to the underlying asset class being tracked is different to 1.

Short ETPs are ETPs whose leverage factor with respect to the underlying asset class being tracked is negative, typically $-1x$, $-2x$ or lower.

Leveraged ETPs are ETPs whose leverage factor with respect to the underlying asset class being tracked is positive and higher than $+1x$.

AUM or Assets represents the assets under management in an ETP. For some ETPs for which the AUM is not available, their market capitalisations have been used where possible.

Asset Flow or Net Subscriptions is a measure representing the value of net subscriptions over the period, thus removing the effect of changes due to price.

Notional AUM is the sum of the AUM in each ETP multiplied by the absolute value of its leverage factor, e.g. \$1 in a 3x long ETP or \$1 in a -3x short ETP is \$3 of Notional AUM in both cases.

Notional Flow is the net subscriptions for each ETP multiplied by the absolute value of the leverage factor. Alternatively, it is the change in the Notional AUM that is not due to price changes.

Net Position is the sum of the AUM in each ETP multiplied by its leverage factor (which may be either negative or positive). A negative figure indicates investors are net short.

Net Position Flow or Repositioning is Notional Flow in long ETPs minus the Notional Flow in short ETPs. Alternatively, it is the change in the Net Position that is not due to price changes and indicates whether investors are bullish (net long) or bearish (net short) after taking leverage factor into account.

Average Investor Leverage is calculated as the average leverage factor across all ETPs of a certain index / exposure and is weighted by the total AUM and leverage factor for each ETP. Average Investor Leverage is used as a proxy for overall investor sentiment with regard to an asset. It may be biased due to leverage factors on offer for each index / exposure, and thus the change in Average Investor Leverage is the most relevant observation rather than the actual number.

All data provided in this report is sourced from calculations by WisdomTree, which are performed on underlying price, return, AUM, currency and market capitalisation data from Bloomberg®. All data is as of 31 September 2020. All figures are denominated in USD.

You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

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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. However, 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.

Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily basis to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor. Potential losses in short and/or leveraged exchange-traded products may be magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled “Risk Factors” in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange-traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine its suitability to your circumstances.