INSIGHT INTO AT1 COCOs ASSET CLASS

Income oriented solutions to consider: Additional Tier 1 Contingent Convertible Bonds (AT1 COCOs)

June 2021

Investors continue to seek income. Meanwhile central bank policy rates are likely to remain low for some time. WisdomTree AT1 CoCos UCITS ETF provides investors exposure to an asset class that has historically provided a yield pick-up relative to many traditional bond asset classes.

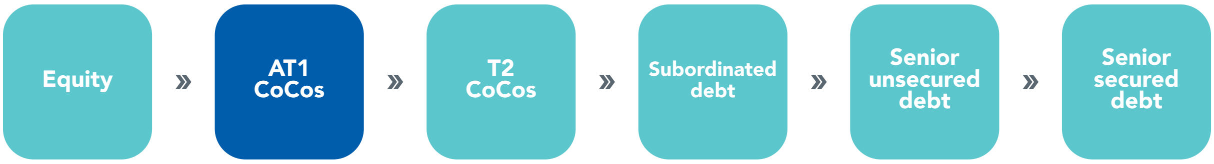
AT1 CoCos were created to help European banks raise capital to meet Basel III capital requirements following the financial crisis. The Basel III framework placed greater requirements on both the quality of banks' capital and the required level of it with the intent to reduce systemic risk. European banks generally have improved their capital adequacy ratios since the 2008 Great Financial Crisis by issuing AT1 CoCos and have shown resilience, amid the health pandemic. AT1 CoCo bonds typically offer greater yields than investing in the more senior bank debt of the issuing bank and can offer some mitigation against the impact of rising rates.

WHAT ARE AT1 COCOs?

The structure of AT1 CoCos is based on their main purpose as readily available source of bank capital in periods of crisis. Within the bank's capital structure, they fall below subordinated debt and are considered hybrid instruments which, if triggered, can be converted to equity or written down. The AT1 CoCo's trigger is associated with the issuing banks' CET1 ratio[1]. Importantly, this conversion or write-down would tend to occur at a time when it is more advantageous to the issuer than to the investor, hence the "yield premium" that is required to create an attractive risk/reward proposition for investors. Banks typically pay a significant yield premium over more senior debt to compensate AT1 CoCo investors for the additional risks that they bear.

1 The CET1 ratio is the Common Equity Tier 1 Capital ratio.

FIGURE 1: BANK CAPITAL STRUCTURE



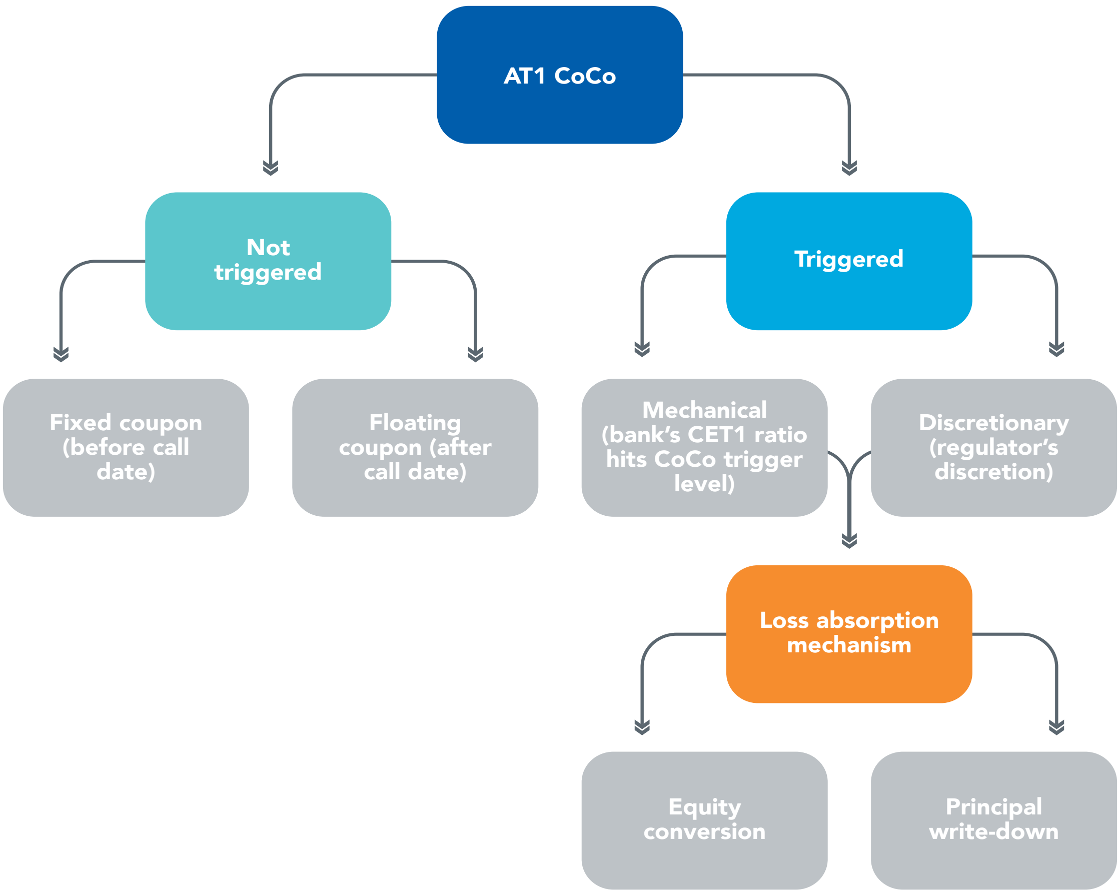
Source: WisdomTree. For illustrative purposes only.

These bonds have been designed to automatically absorb losses before, or at the point of, bank insolvency and the trigger for the loss absorption mechanism must be a function of the capitalisation levels of the issuing bank. Global Systemically Important Banks and Domestic Systemically Important Banks (G-SIBS and D-SIBs) have issued CoCos to meet the new capital requirements and, in many cases, have exceeded these capital requirements. While capital ratios remain strong for the European banking sector, investors should understand that the trigger mechanisms, embedded within AT1 CoCos, are meant to protect the bank's capital adequacy in the event of bank losses.

AT1 COCO TRIGGER: EXPLAINED

When a CoCo bond's trigger is breached, the bond's loss absorption mechanism is activated. There are two types of triggers: mechanical or discretionary.

FIGURE 2: BANK CAPITAL STRUCTURE



Source: Hypothetical Illustration from WisdomTree.

Mechanical triggers cause CoCos to "trigger" the loss absorption mechanism. This occurs when a bank's CET1 capital ratio falls below the trigger level (generally 7% for high-trigger CoCos and 5.125% for low-trigger CoCos).

Discretionary triggers are activated when a regulator decides that a bank is not adequately capitalised. Similarly, there are two types of AT1 CoCo loss absorption mechanisms. When triggered, an AT1 CoCo is either converted to equity or the principal is written down. Each AT1 has a single loss absorption mechanism.

These events will be done at times most advantageous to the issuer, NOT the investor, which explains the higher yield received during times when European banks are not under stress. When a trigger is breached, you may receive less than the amount invested. An AT1 CoCo bond has several features which are bond-like and several which are equity-like. Similar to bonds, AT1 CoCos pay a coupon. Similar to an equity dividend, a coupon on an AT1 CoCo is made on a discretionary basis. An AT1 CoCo is convertible to equity or may be written down when a bank's capital adequacy is deteriorating and, therefore, AT1 CoCos may trade more in-line with equities on the downside, particularly when conditions within the European banking sector are under stress.

WHY ARE SOME INVESTORS INVESTING IN AT1 COCOs GIVEN THESE POTENTIAL RISKS?

+ **Distribution income and yield enhancement relative to other risk assets.**
+ **AT1 CoCos have traditionally shown resilience in rising rate periods**[2]: relative to global high yield, global credit and global treasuries.
+ **Diversification relative to other asset classes:** AT1 CoCos[3] historically have shown to have a low correlation to Government bond indices.
+ **Pure exposure to the European banking sector:** The AT1 index[4] provides exposure to AT1 CoCos issued by banks from European countries classified as developed markets[5].

WISDOMTREE AT1 COCO BOND UCITS ETF (CCBO)

CCBO tracks the iBoxx Contingent Convertible Liquid Developed Europe AT1 index which is designed to reflect the performance of financial institutions AT1 contingent convertible debt denominated in EUR, USD, and GBP and aims to offer a good coverage of the AT1 CoCo bond universe, whilst upholding minimum standards of investability and liquidity. CCBO is offered to investors in USD as well as several hedged currencies with full listing details provided below.

2 WisdomTree, Bloomberg considering the iBoxx Contingent Convertible Liquid Developed Europe AT1 Index (USD Hedged) started its live calculation on 09 March 2018, global high yield using the Bloomberg Barclays **Global High yield** index, **global credit** using the Bloomberg Barclays Global Aggregate Credit index and **global treasuries** using the Bloomberg Barclays Global Aggregate Treasuries Index. Calculations include backtested data. **Historical performance is not an indication of future performance and any investments may go down in value.**

3 AT1 CoCos considering the iBoxx Contingent Convertible Liquid Developed Europe AT1 Index. Period from 31 December 2013 to 29 January 2021. Based on monthly returns and includes backtested data. Government bond indices considered are the FTSE Actuaries UK Conventional Gilts All Stocks Total Return Index and the iBoxx Euro Sovereign Overall Index. **Historical performance is not an indication of future performance and any investments may go down in value.**

4 AT1 Index is represented by the iBoxx Contingent Convertible Liquid Developed Europe AT1 Index.

5 The classification criteria is outlined by Markit within the iBoxx Contingent Convertible Liquid Developed Europe AT1 Index methodology.

CCBO invests in Additional Tier 1 (AT1) bank debt issued in the developed European market.

+ AT1s are denominated in USD, EUR or GBP
+ Issues meet strict liquidity requirements (min. 700mn in USD/EUR/GBP)
+ Issues must have a minimum credit rating of 'B' from one of the three major rating agencies (Standard & Poor's, Moody's, Fitch)
+ Issuers capping: Top 5 issuers are capped at 7.5% and the remaining issuers are capped at 4.5%
+ Issuers meet strict liquidity requirements (min. 1B outstanding in USD/EUR/GBP)
+ The Fund has a total net expense ratio of 0.39%

Share Class Name	Ticker	ISIN	Distribution policy	Exchange	Base Currency	Trading currency	TER*
WisdomTree AT1 CoCo Bond UCITS ETF - USD	CCBO CCBO WTDI CCBO	IE00BZ0XVF52	Distributing	LSE Borsa Italiana Xetra SIX	USD	USD EUR EUR USD	0.39%
WisdomTree AT1 CoCo Bond UCITS ETF - USD Acc	COCB	IE00BZ0XVG69	Accumulating	LSE SIX	USD	USD	0.39%
WisdomTree AT1 CoCo Bond UCITS ETF - USD Hedged	CODO	IE00BFNNN012	Distributing	LSE SIX	USD	USD	0.39%
WisdomTree AT1 CoCo Bond UCITS ETF - EUR Hedged	COBO WTEB COBO	IE00BFNNN236	Distributing	Borsa Italiana Xetra SIX	EUR	EUR	0.39%
WisdomTree AT1 CoCo Bond UCITS ETF - GBP Hedged	COGO	IE00BFNNN459	Distributing	LSE SIX	GBP	GBx GPB	0.39%

IMPORTANT INFORMATION

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.

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.

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.

The iBoxx Contingent Convertible Liquid Developed Europe AT1 Index (the "Index") referenced herein is the property of the Markit Indices Limited ("Index Sponsor") and has been licensed for use in connection with WisdomTree AT1 Contingent Convertible UCITS ETF. Each party acknowledges and agrees that WisdomTree AT1 Contingent Convertible UCITS ETF is not sponsored, endorsed or promoted by the Index Sponsor. The Index Sponsor make no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular disclaim any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index and/ or the composition of the Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Index at any particular time on any particular date or otherwise. The Index Sponsor shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Sponsor is under no obligation to advise the parties or any person of any error therein.

The Index Sponsor makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling WisdomTree AT1 Contingent Convertible UCITS ETF, the ability of the Index to track relevant markets' performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Sponsor has no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. No party purchasing or selling WisdomTree AT1 Contingent Convertible UCITS ETF, nor the Index Sponsor, shall have any liability to any party for any act or failure to act by the Index Sponsor in connection with the determination, adjustment, calculation or maintenance of the Index. The Index Sponsor and its affiliates may deal in any obligations that compose the Index, and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuers of such obligations or their affiliates, and may act with respect to such business as if the Index did not exist, regardless of whether such action might adversely affect the Index or WisdomTree AT1 Contingent Convertible UCITS ETF.

Neither Markit, its Affiliates or any third-party data provider makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. Neither Markit, its Affiliates nor any data provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the Markit data, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

Markit has no obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, Markit, its Affiliates, or any third party data provider shall have no liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

CoCos are complex securities and potential investors should not discount tail risk and the possibility of conversion. CoCos coupon payments are fully discretionary and hence can in theory be skipped at any time.

Notice to Investors in Switzerland – Qualified Investors

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

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

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

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 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 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.

For Investors in Israel: Offering materials for the offering of the Shares and securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute "an offer to the public" under sections 15 and 15a of the Israel Securities Law, 5728-1968 ("the Securities Law") or section 25 of the Joint Investment Trusts Law, 5754-1994 ("the Joint Investment Trusts Law "), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum ("the Addendum") to the Securities Law, "Sophisticated Investors") who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.