

WisdomTree

SHORT & LEVERAGED ETPs

Global Flows

May 2019

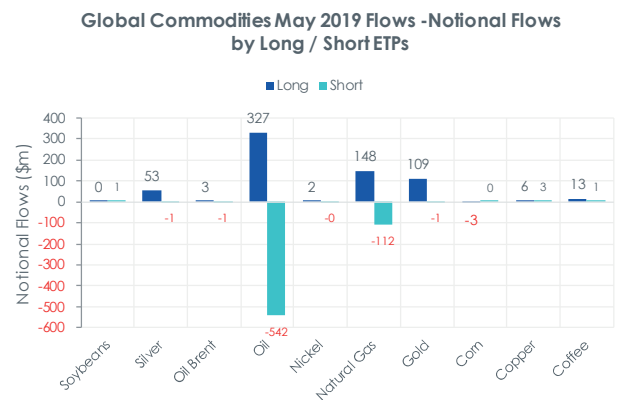
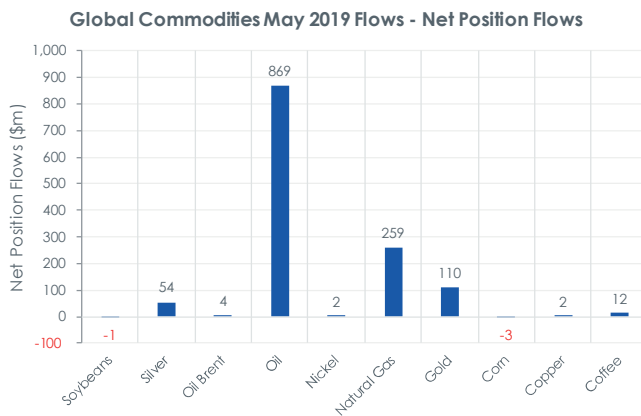


Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily 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.

Executive Summary

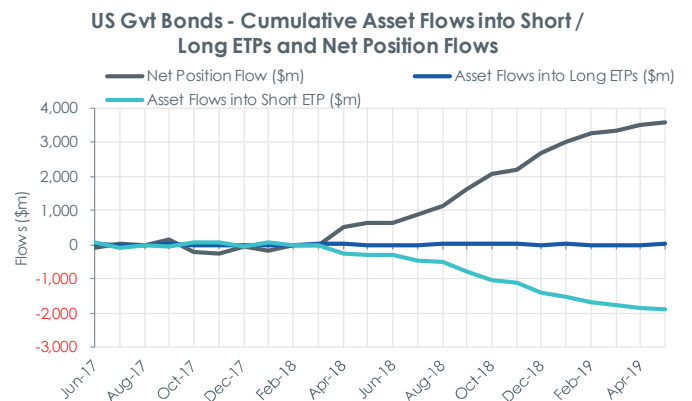
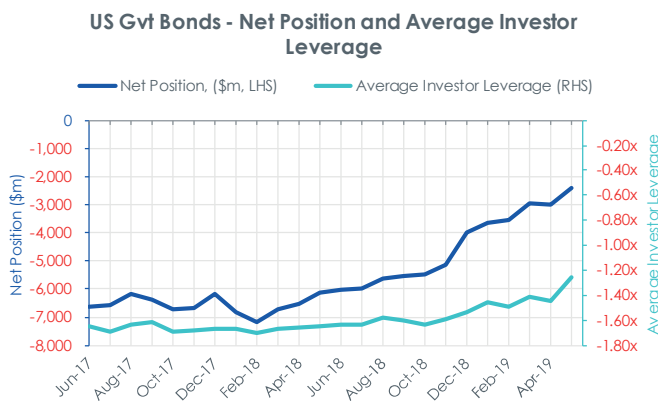
S&L investors start June 2019 with bullish view on oil market despite the price declined in May

Commodities had a difficult month in May as trade wars between US and China hit most commodity sectors. Energy markets, which were less affected by trade wars in 2018, also took a hit with Brent crude falling by around 14% during the month of May. This follows a strong April for oil where supply tightness caused prices to rally. While supply remains tight and further supply concerns have arisen given US sanctions on Iran, global growth concerns dominated headlines in May causing investors to dial down their oil demand forecasts. However, in May, investors in Short & Leverage Exchange-Traded Products (S&L ETPs) increased their long oil ETP positions and redeemed their short oil ETP positions, which resulted in an increase of \$869m net oil ETP positions by accounting for the leverage factors. It seems to indicate a bullish view on oil market.

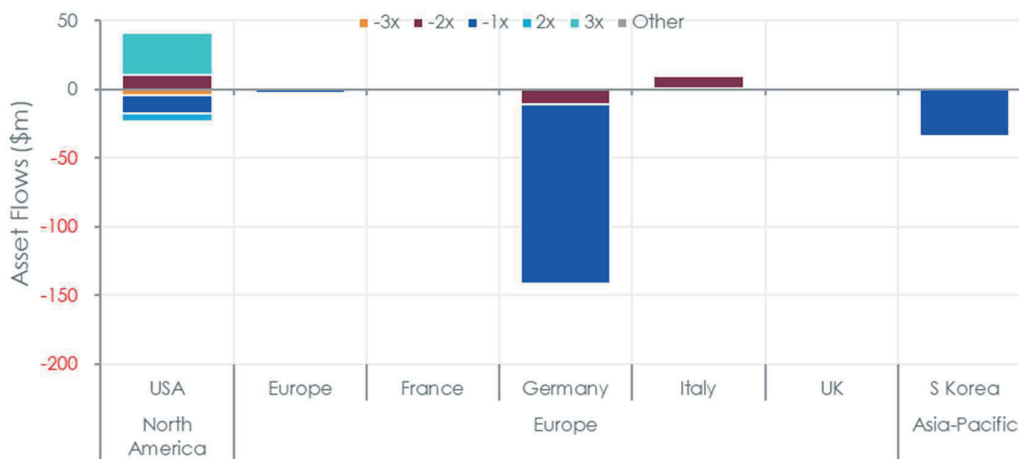


Investors in S&L ETPs continued to be bullish on US bonds but decreased their bearishness on German bonds

S&L investors continued to unwind their short US bond positions despite positive economic data with the headline quarter-on-quarter GDP growth number at 3.2%, beating the initial consensus estimate. Strong economic data was trumped by further escalation in the US-China trade war which has been exacerbating future expectations of a global slowdown. Especially, by accounting for the leverage factors, investors in S&L ETPs have increased by \$84m exposure on US government debt in May. S&L investors have also redeemed \$141m of short German bonds reflecting concerns about another dispute between Italy and the European commission as it has been forecasted that Italy's budget deficit may rise to 3.5% of GDP next year, above the agreed level. 10-year German bond yields fell to all-time lows of negative 20 basis points at the end of May 2019 considering data going as far back as 1989. There is a combination of lower growth expectations along with investor flight to quality which has been contributing to lower 10-year German bond yield levels.



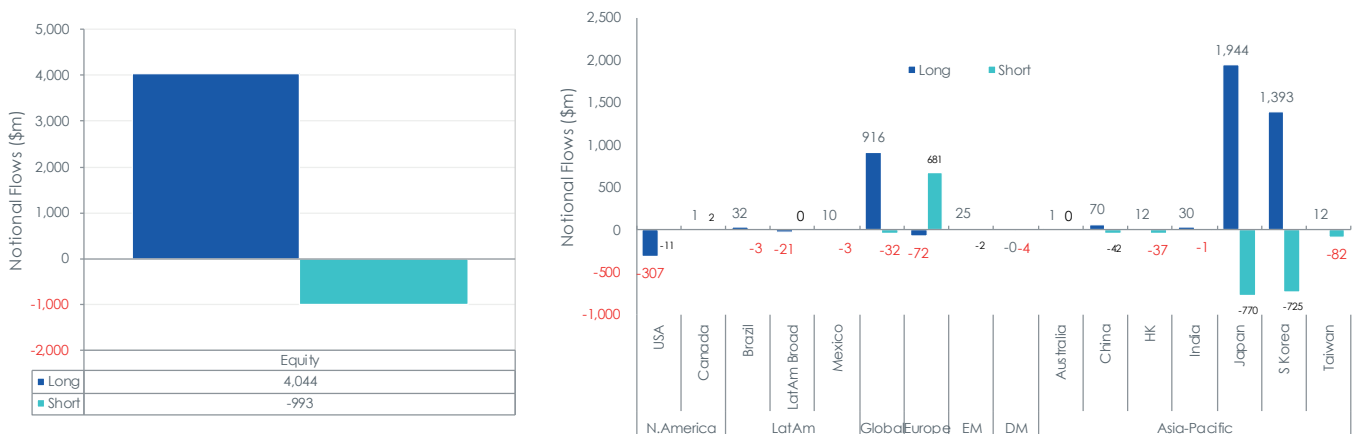
Government Debt May 2019 Flows- Asset Flows by Leverage Factor



S&L investors became globally bullish in Equity especially Japan and South Korea

Despite the MSCI ACWI shedding around 6% as a re-escalation of the trade dispute between US and China raised concerns about lower than expected global economic growth hurting risk assets, the S&L investors showed a bullish view globally on equity. Indeed, investors in S&L ETPs increased by \$4bn long equity ETP positions and decreased by \$993m short equity ETP positions by accounting for the leverage factors.

Global Equities May 2019 Flows - Notional Flows by Long / Short ETPs



Global Asset Allocation

- The total global AUM of Short & Leveraged (S&L) ETPs was \$73.9 billion as of 31/05/2019
- 38% of AUM is held in short products with leverage factors ranging between -1x to -3x. 62% 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 40% of AUM.
- In terms of S&L asset allocation, equity ETPs are the most popular with 83% of AUM, followed by commodities with 7% and debts with 6%. 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 May 2019. All figures are denominated in USD.

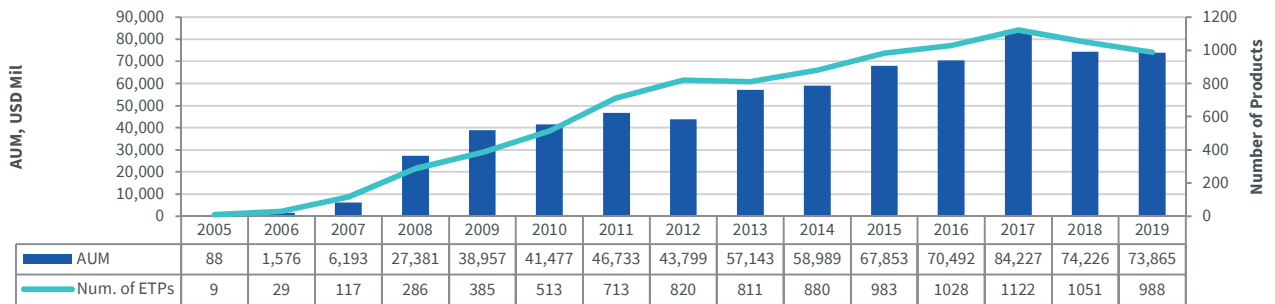
You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

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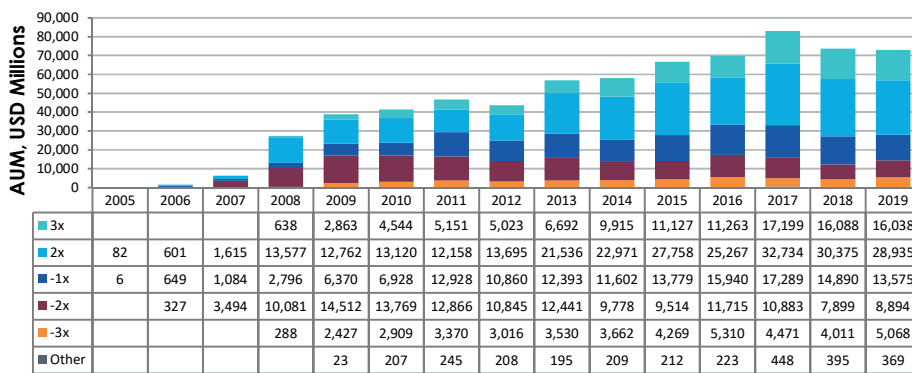
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Global Growth of S&L ETFs/ETPs

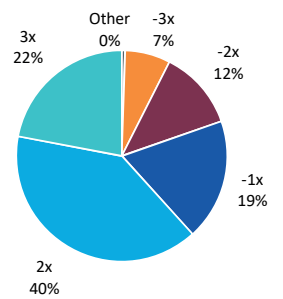
AUM and Number of Products



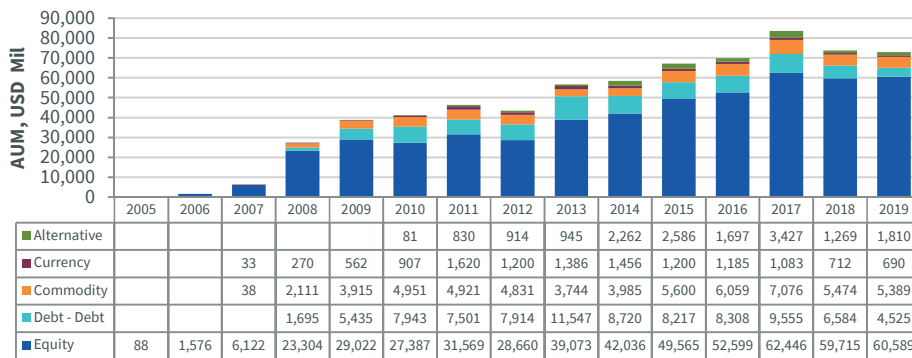
AUM by Leverage Factor



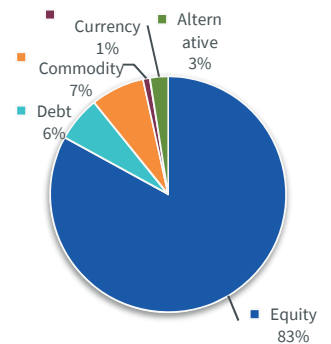
As of 31st May 2019



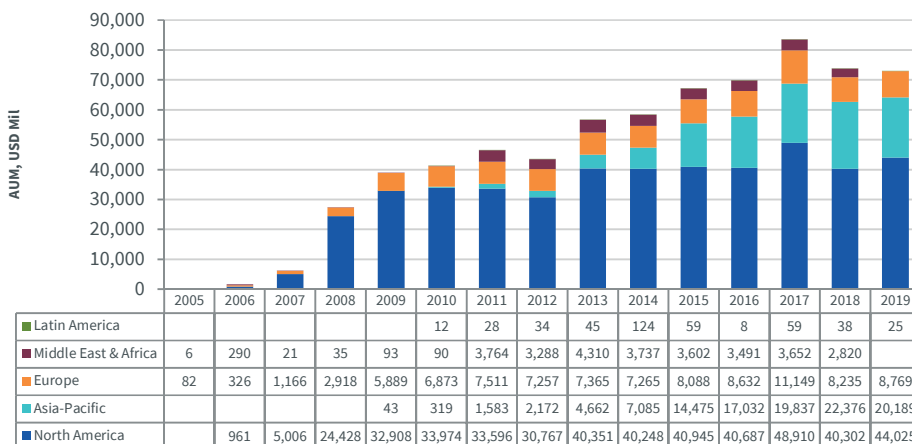
AUM by Asset Class



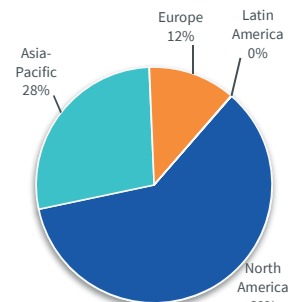
As of 31st May 2019



AUM by Domicile Region



As of 31st May 2019

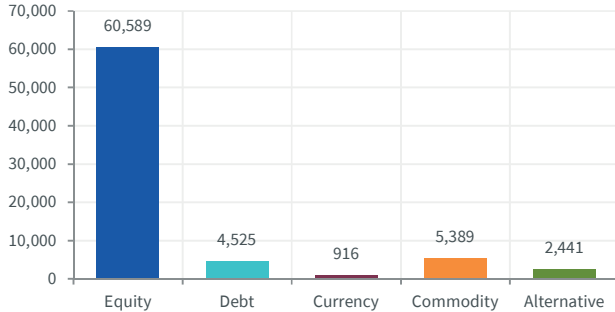


Global Asset Allocation

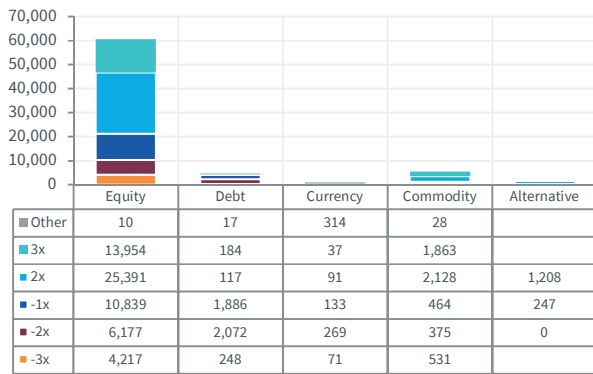
Current Allocations

As of 31st May 2019; Figures in USD Mil.

AUM

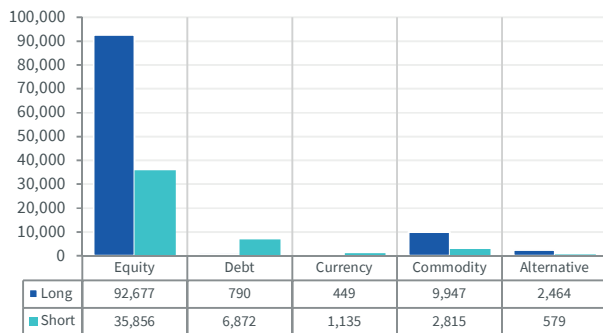


AUM by Leverage Factor



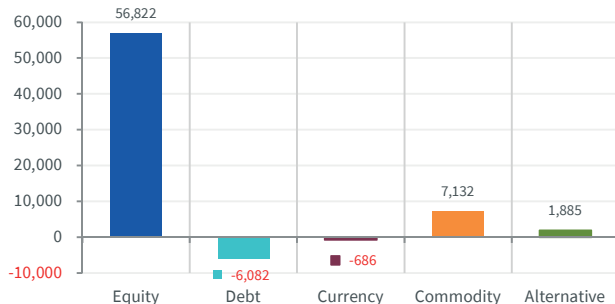
Notional AUM by Long / Short ETPs

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

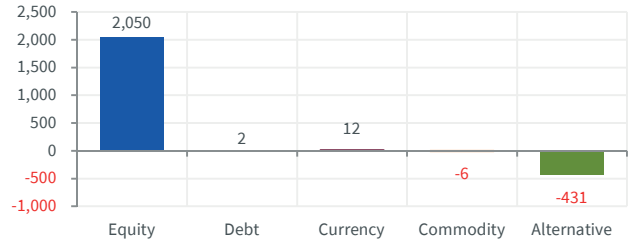
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



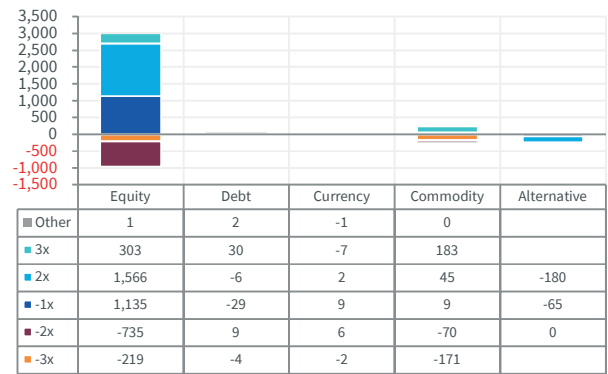
May 2019 Flows

Over May 2019; Figures in USD Mil.

Asset Flows

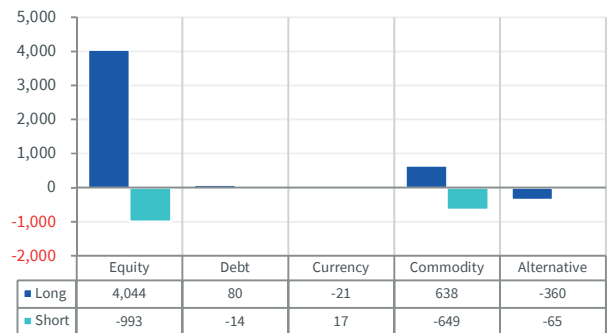


Asset Flows by Leverage Factor



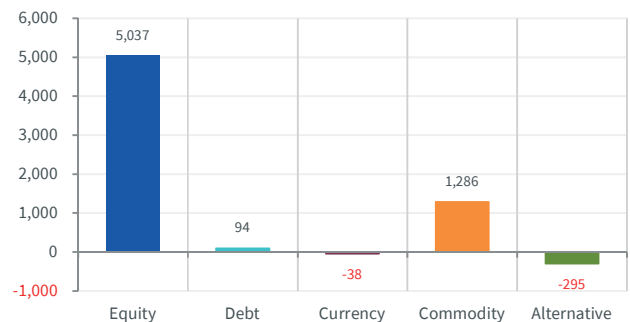
Notional Flows by Long / Short ETPs

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



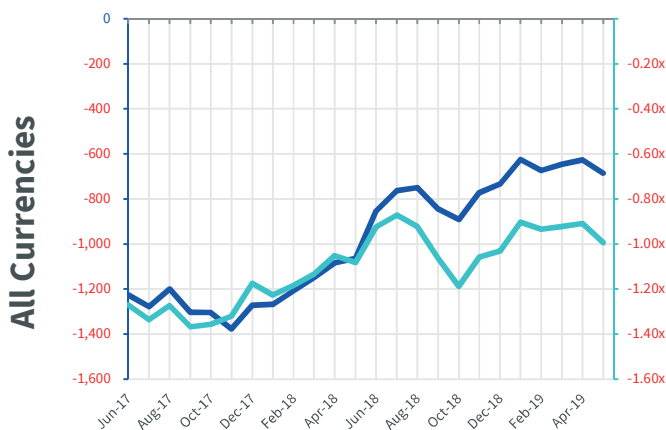
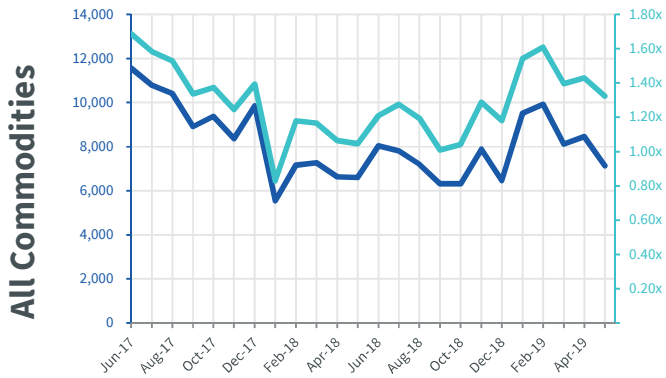
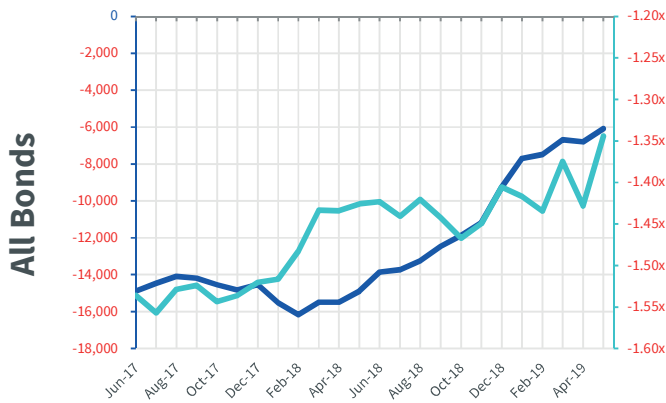
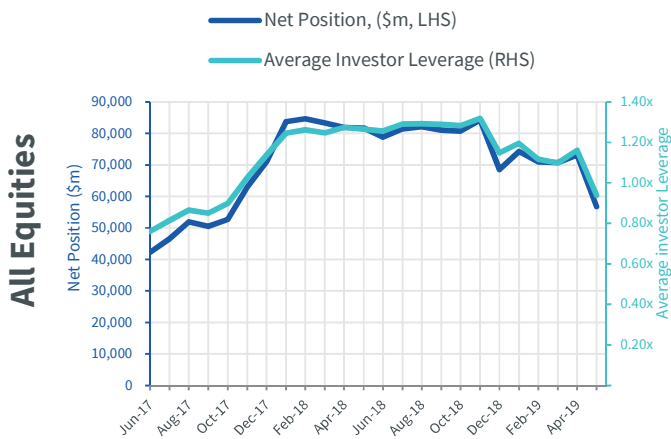
Net Position Flows

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

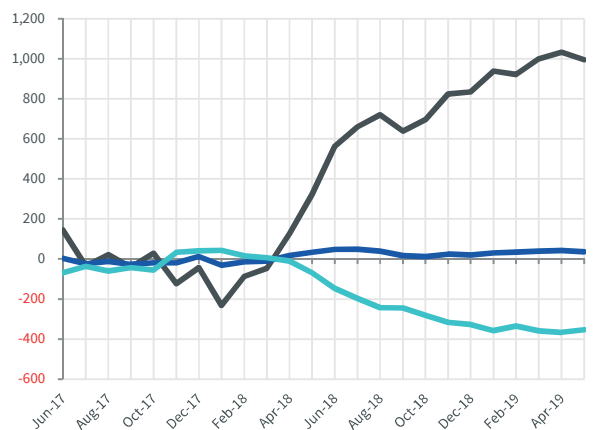
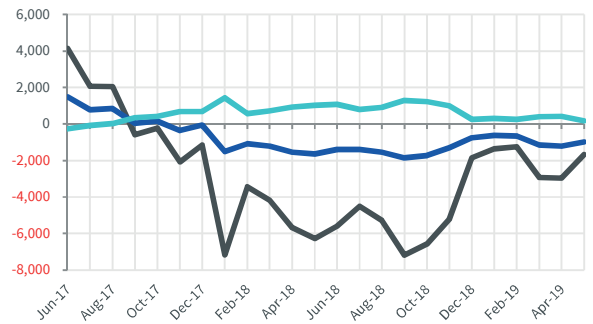
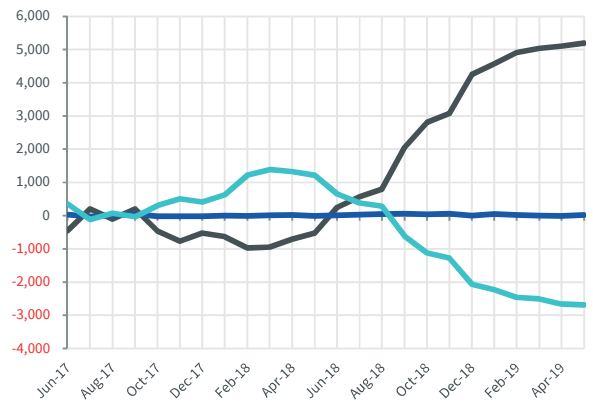
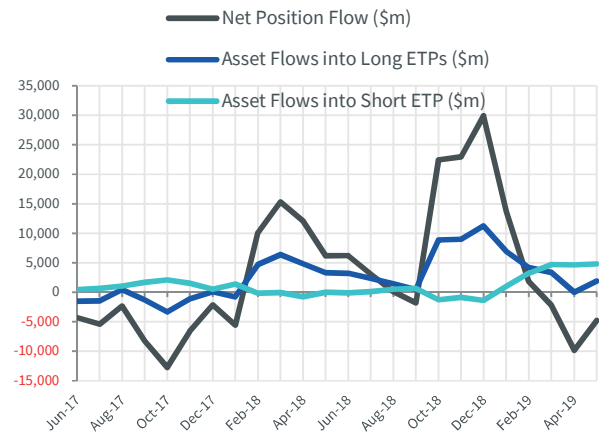


Global Asset Allocation - Historical View

Net Position and Average Investor Leverage



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



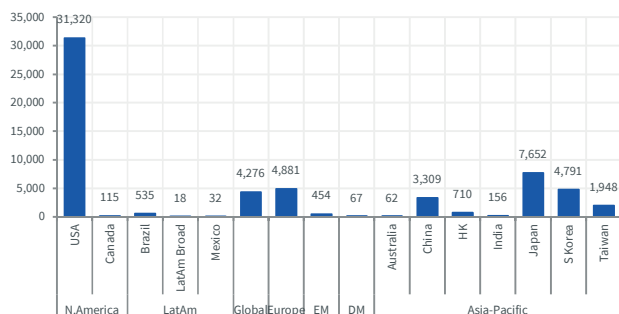
Short & Leveraged Equities

Global Equities

Current Allocations

By Geographic Exposure; As of 31st May 2019; Figures in USD Mil.
 "Europe" represents the sum total of ETPs exposed to Europe or European countries.

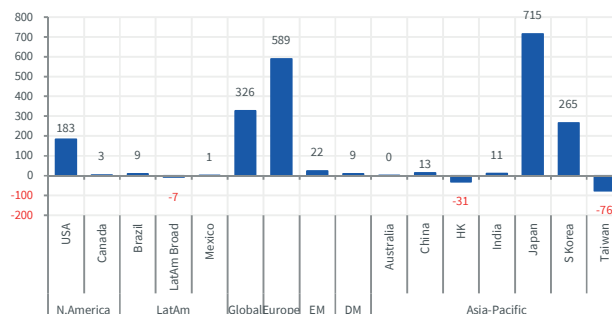
AUM



May 2019 Flows

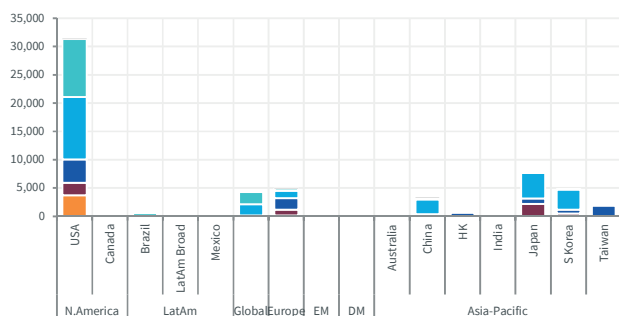
By Geographic Exposure; During May 2019; Figures in USD Mil.

Asset Flows



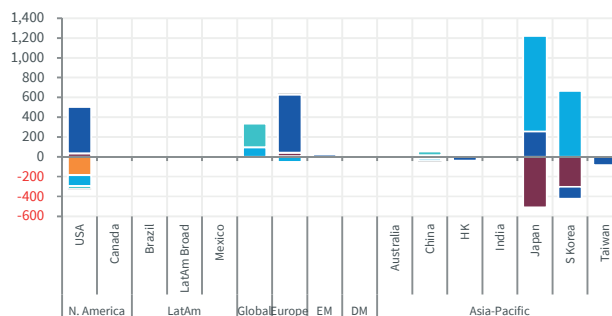
AUM by Leverage Factor

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



Asset Flows by Leverage Factor

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



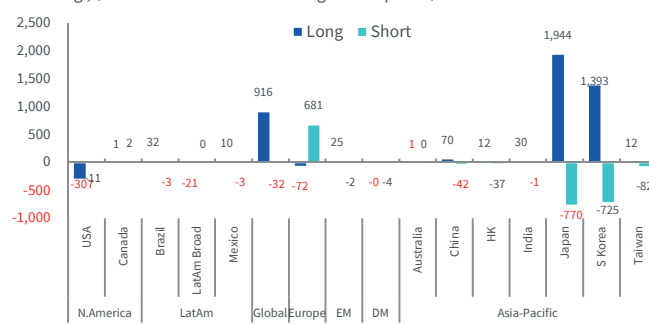
Notional AUM by Long / Short ETPs

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



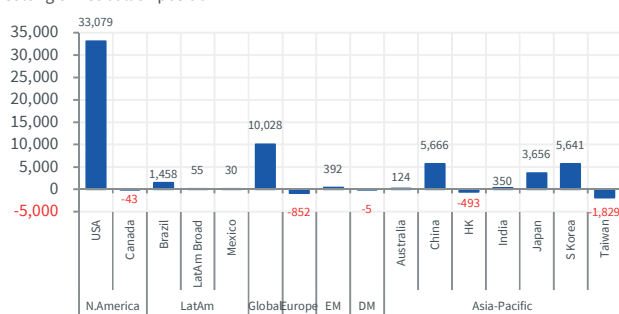
Notional Flows by Long / Short ETPs

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



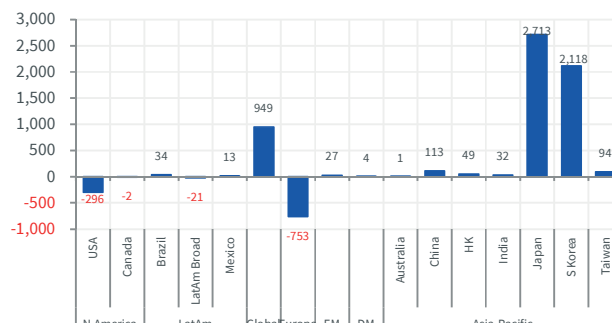
Net Position

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 net long or net bullish position



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

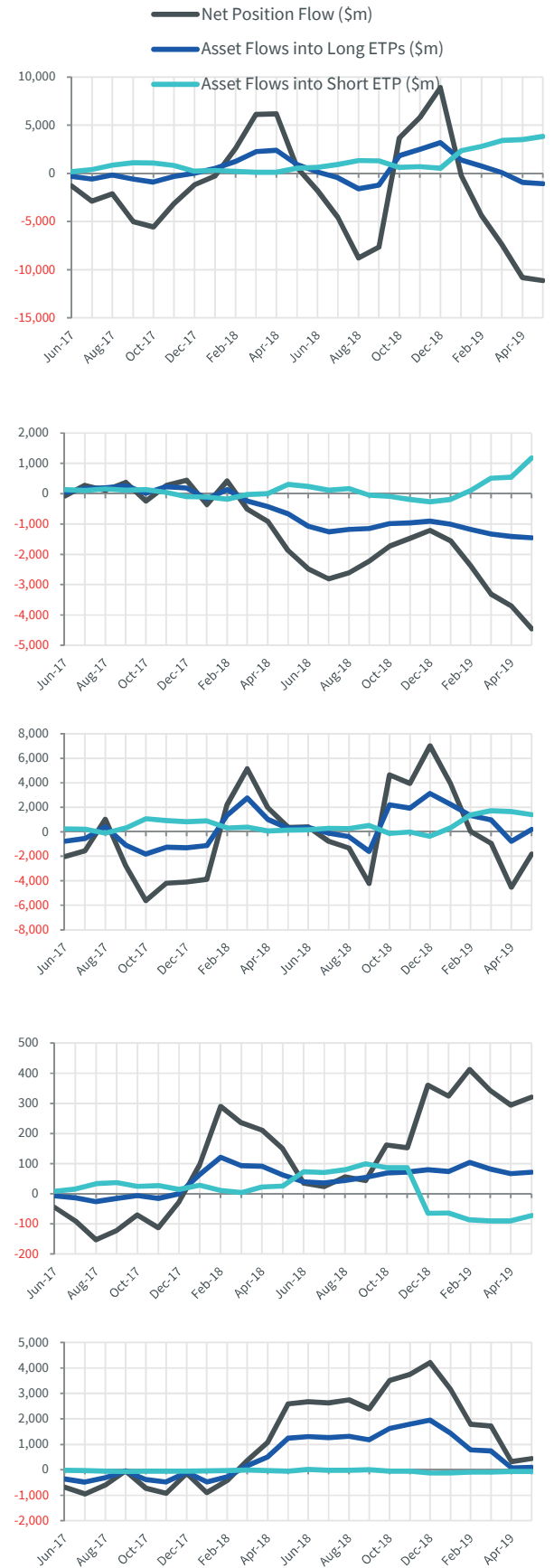


Global Equities - Historical View

Net Position and Average Investor Leverage



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



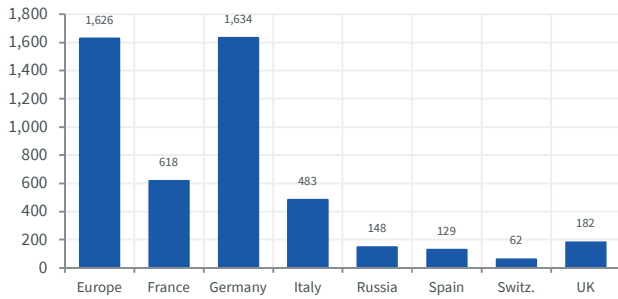
European Equities Breakdown

Current Allocations

By Geographic Exposure; As of 31st May 2019; Figures in USD Mil.
 "Europe" represents ETPs exposed to Europe as a region.

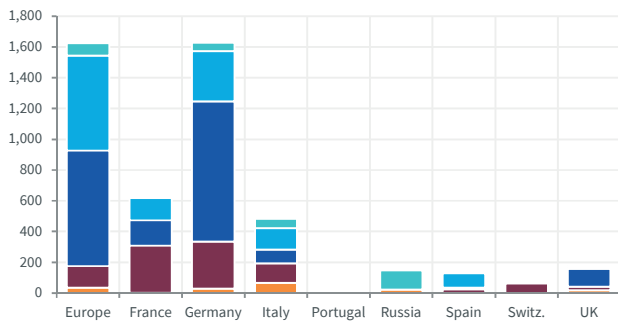
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

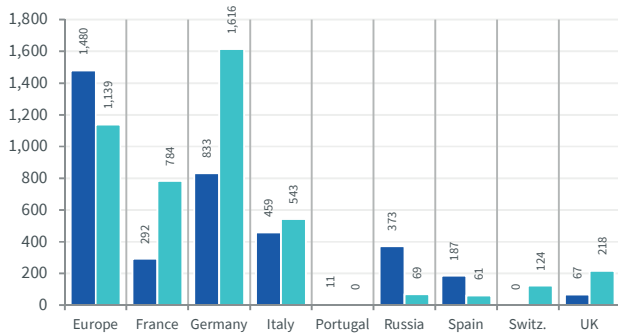
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

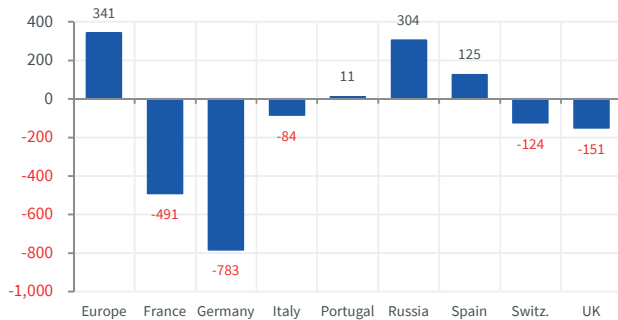
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

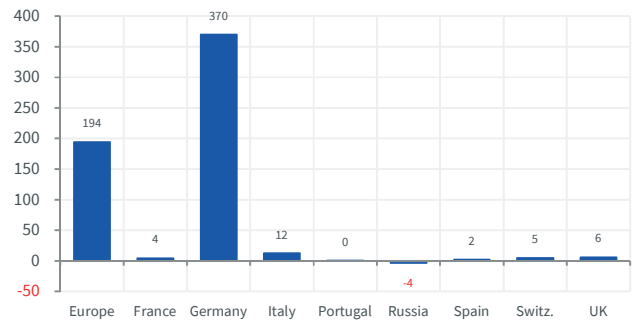
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May 2019 Flows

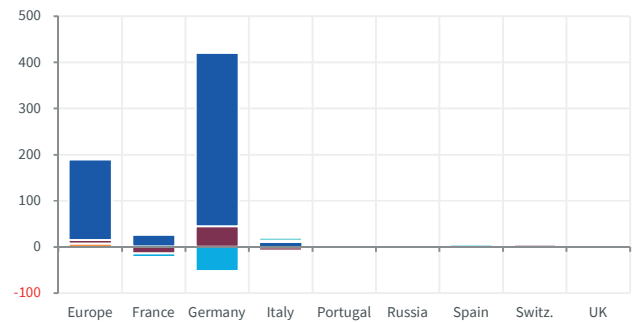
By Geographic Exposure; Over May 2019; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

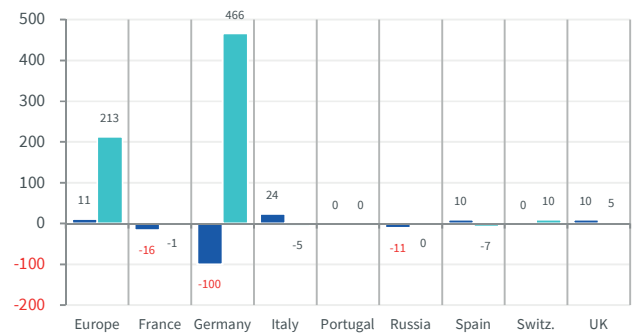
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

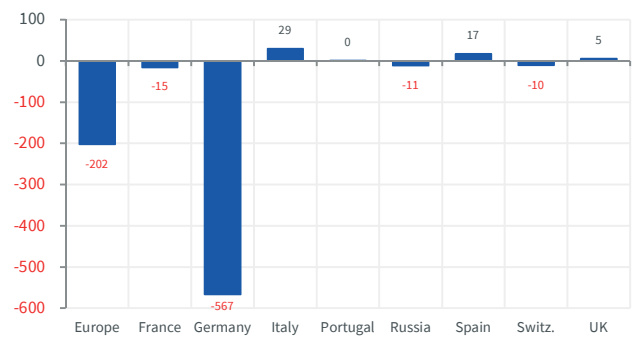
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



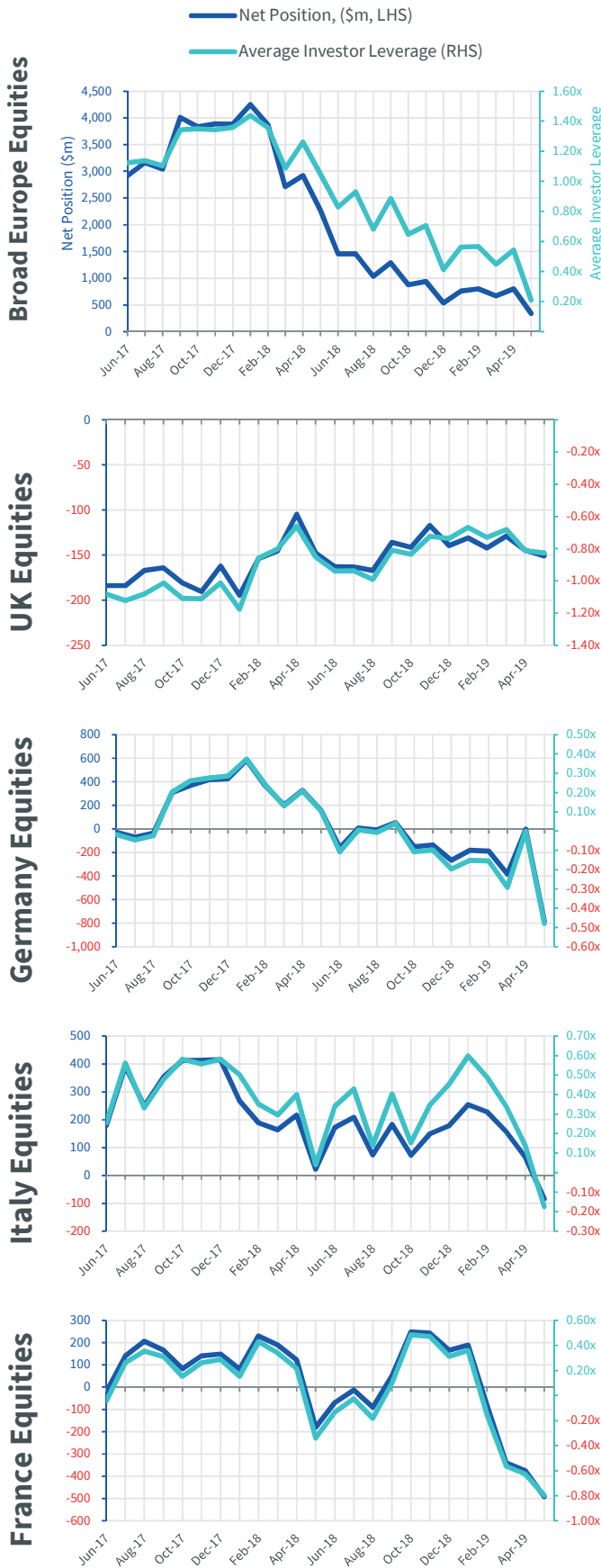
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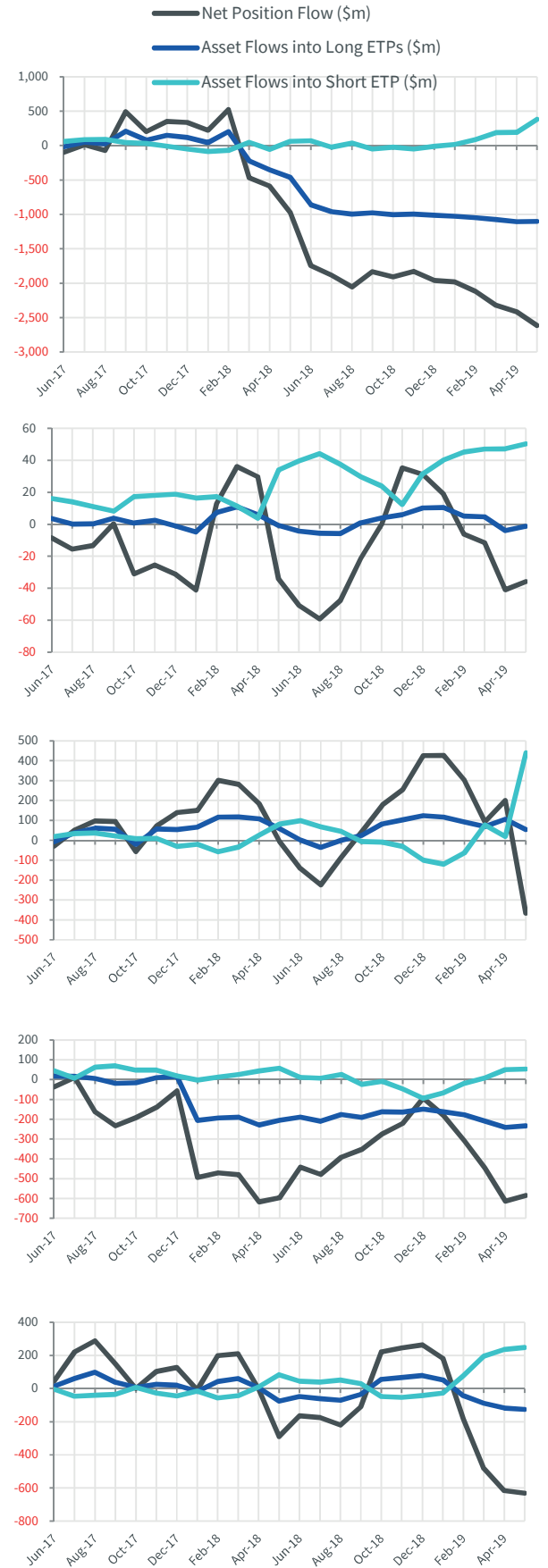


Europe Equities - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Government Debt

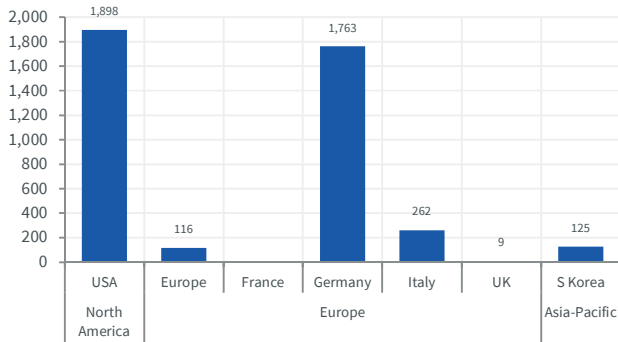
Global Debt

Current Allocations

By Geographic Exposure; As of 31st May 2019; Figures in USD Mil.

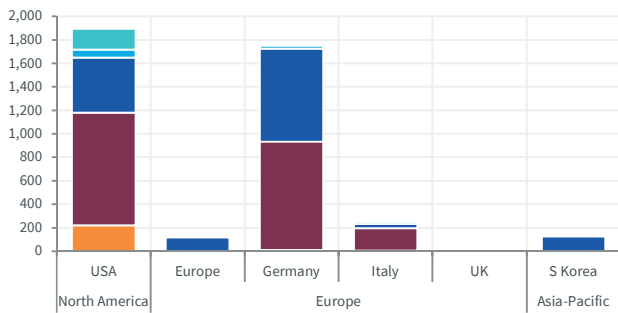
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

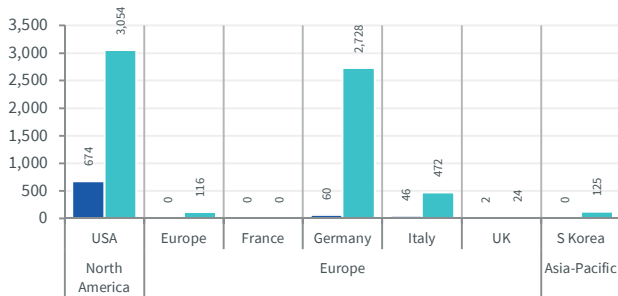
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

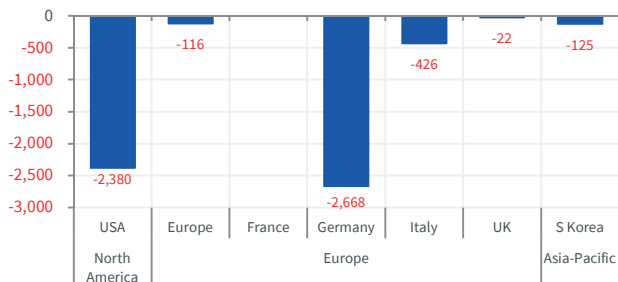
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

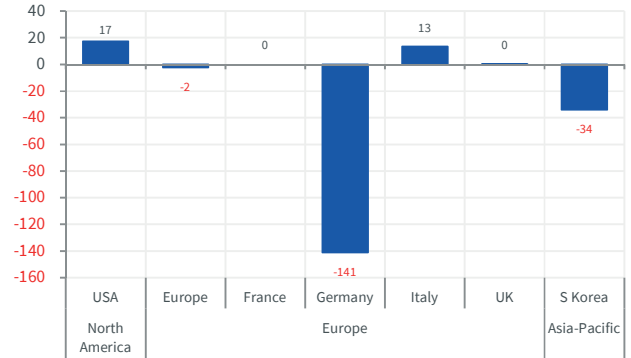
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May 2019 Flows

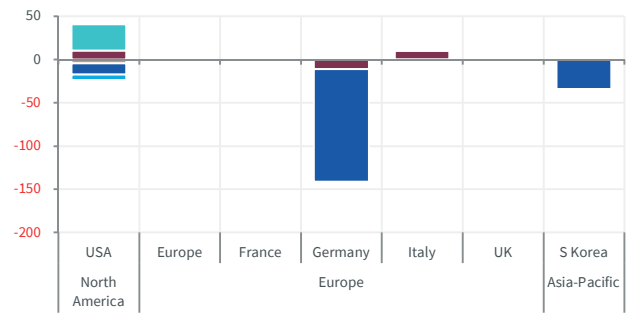
By Geographic Exposure; Over May 2019; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

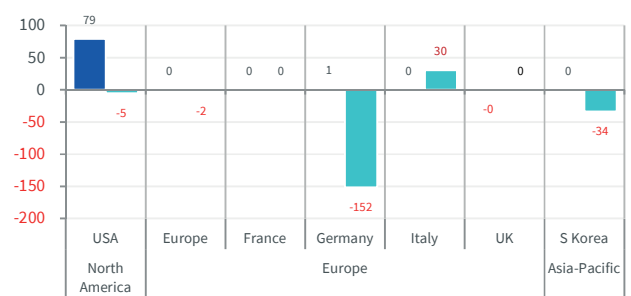
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

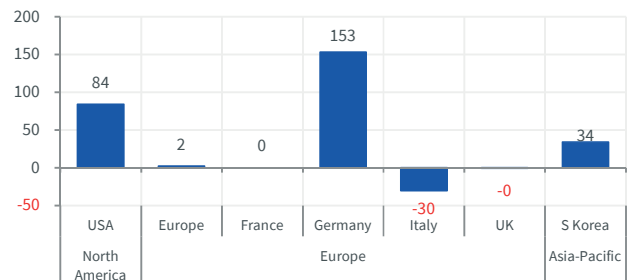
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



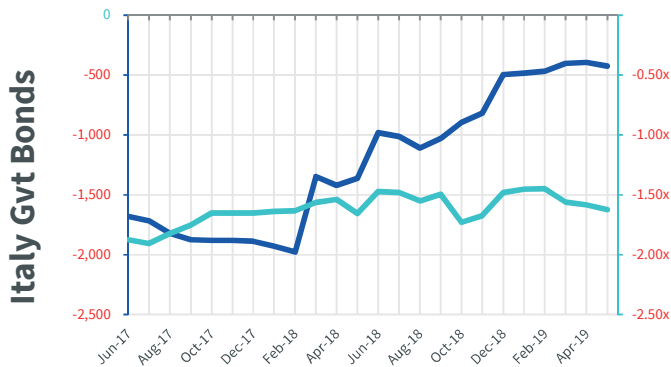
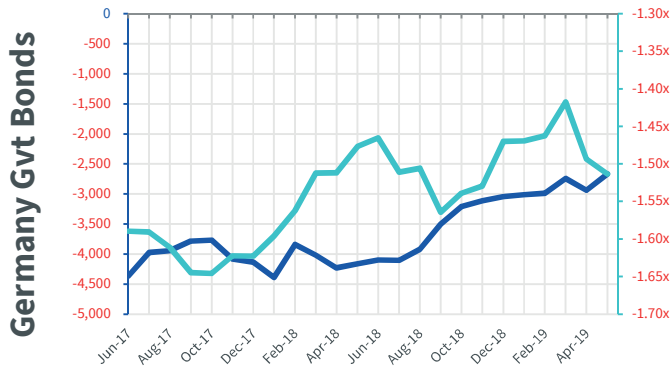
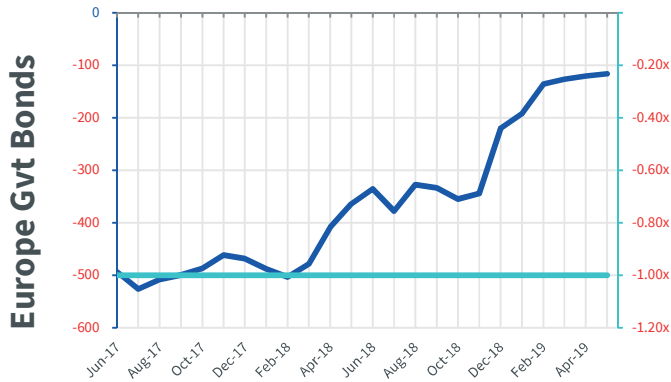
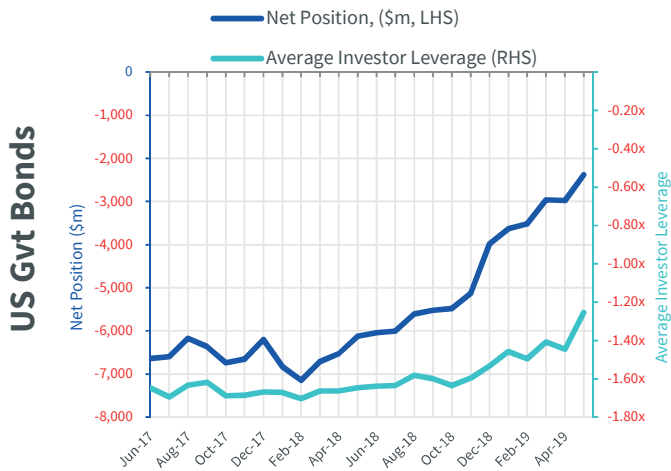
Net Position Flows

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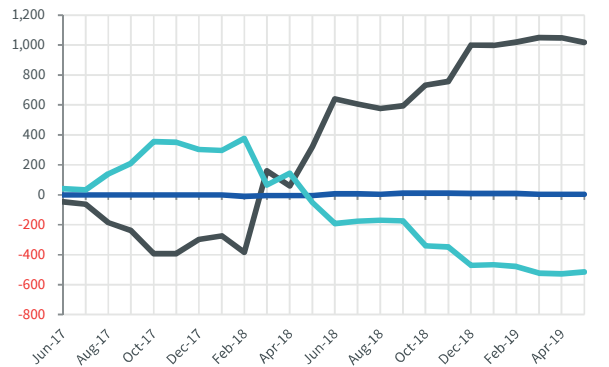
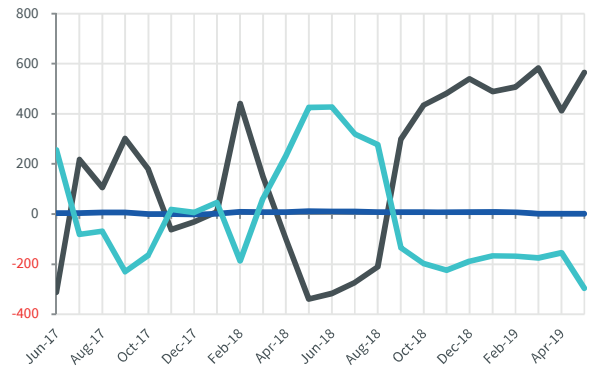
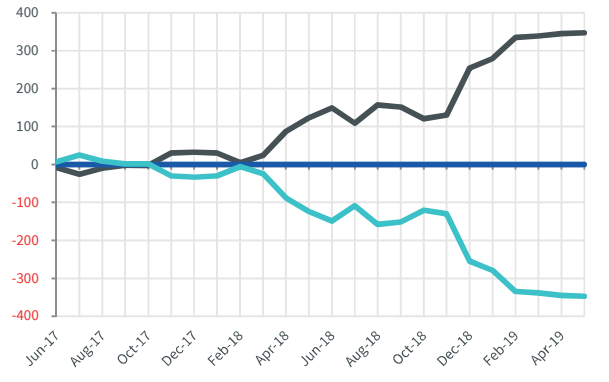
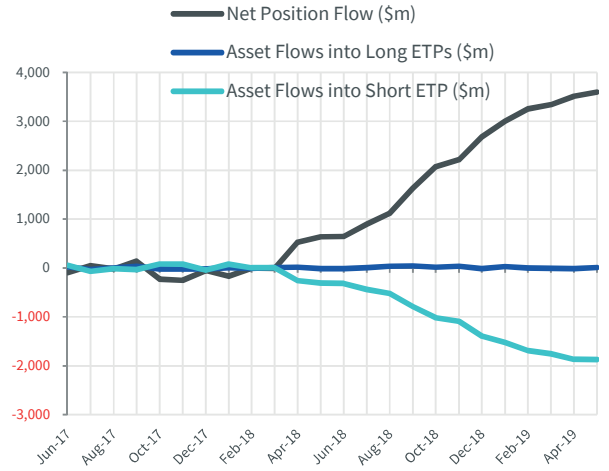


Global Debt - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Commodities

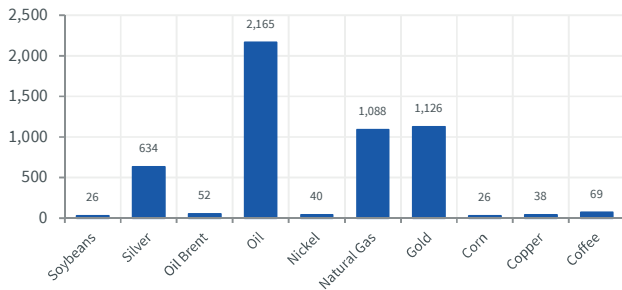
Global Commodities

Current Allocations

By commodity exposure; As of 31st May 2019; Figures in USD Mil;
Showing the top 10 AUM commodity exposures

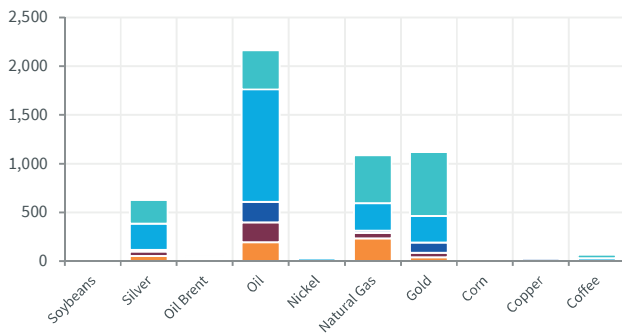
AUM

Showing commodity exposures with the top 10 AUMs



AUM by Leverage Factor

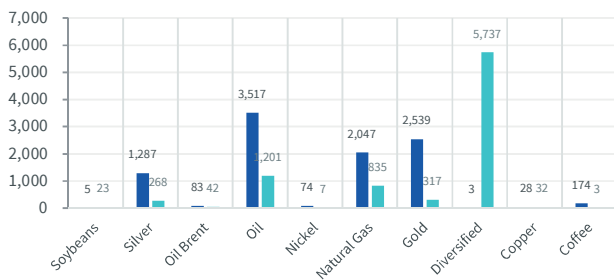
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

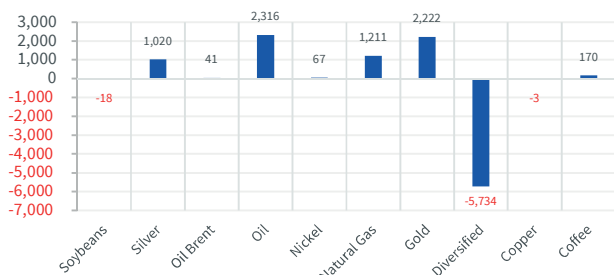
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

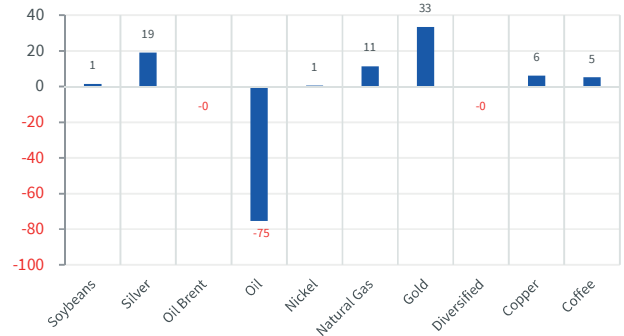
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



May 2019 Flows

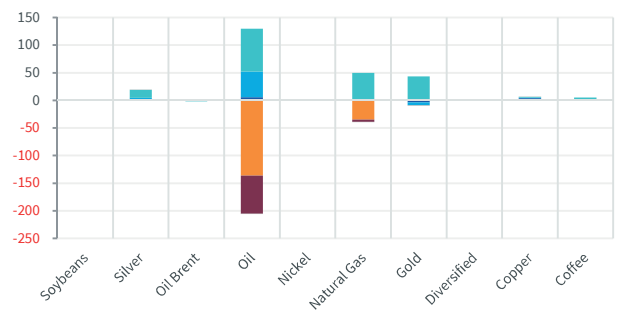
By commodity exposure; Over May 2019; Figures in USD Mil;
Showing the Flows for top 10 AUM commodity exposures

Asset Flows



Asset Flows by Leverage Factor

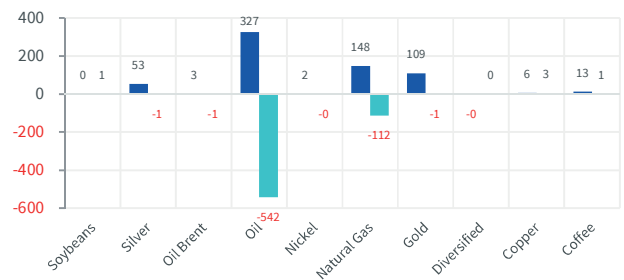
Legend: -3x, -2x, -1x, 2x, 3x, Other



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

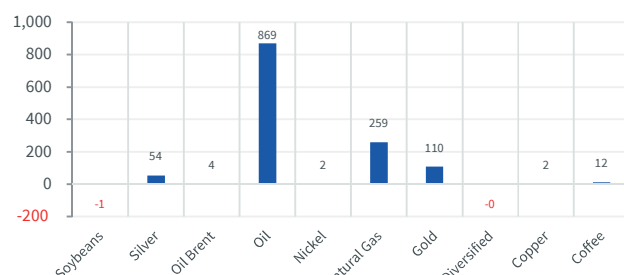
Legend: Long, Short



Net Position Flows

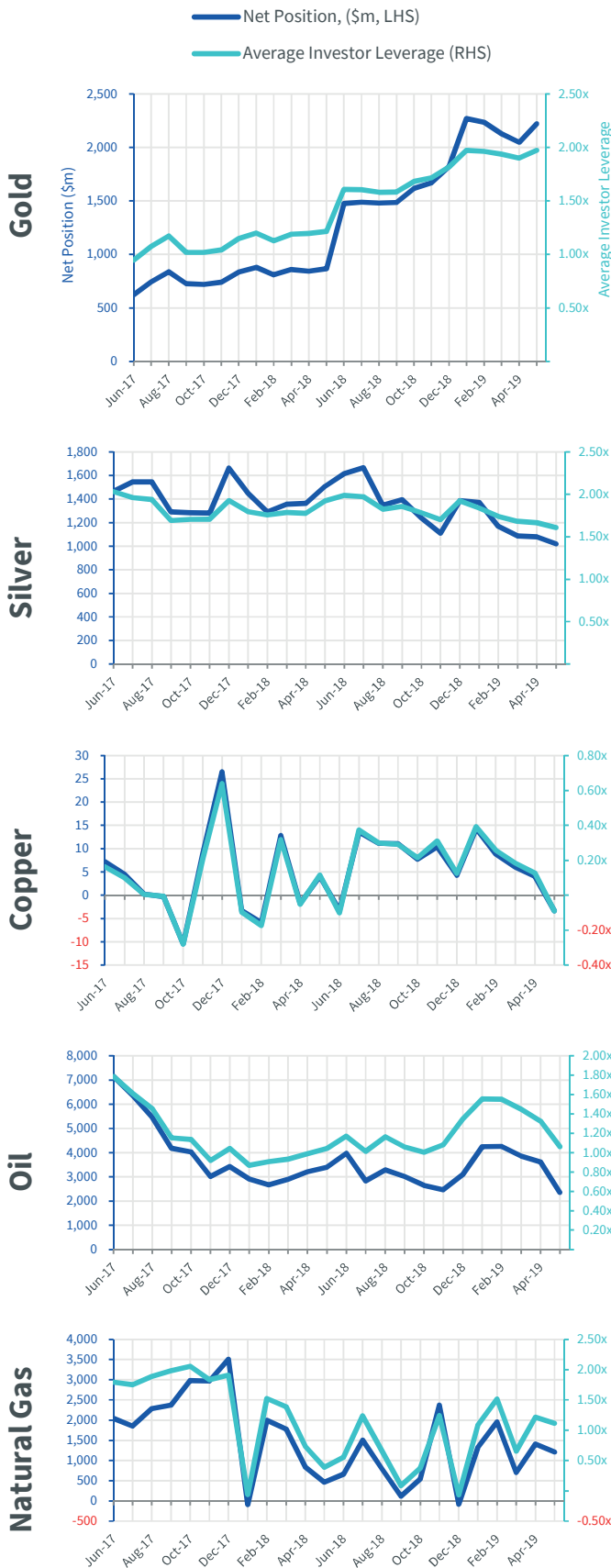
The notional flow in long ETPs minus the notional flow in short ETPs.

A negative figure indicates net bearish flows, while a positive figure indicates net bullish flows

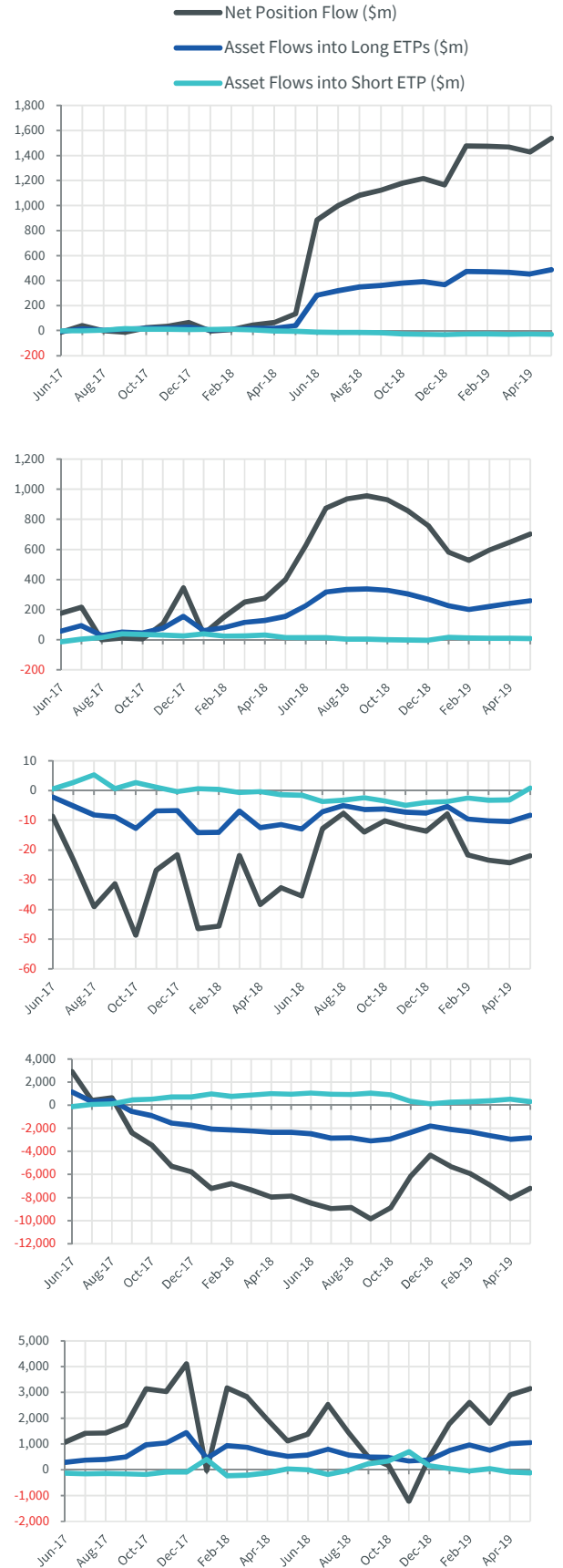


Global Commodities - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Currencies

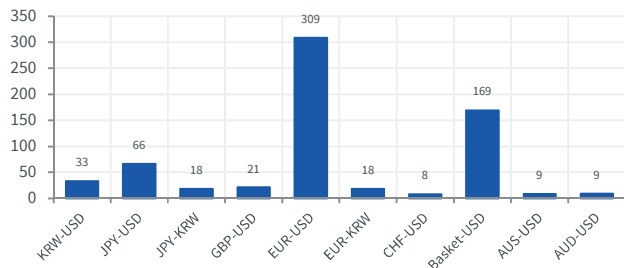
Global Currencies

Current Allocations

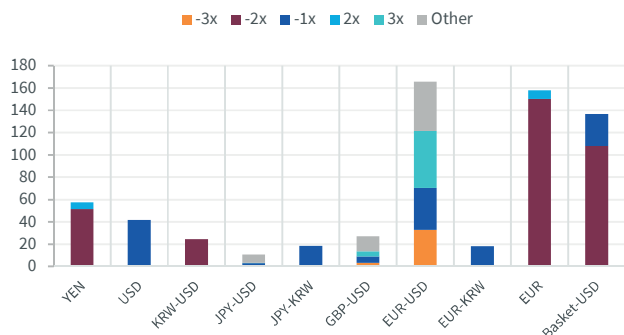
By currency exposure; As of 31st May 2019; Figures in USD Mil; Showing the top 10 AUM currency exposures

AUM

Showing currency exposures with the top 10 AUMs

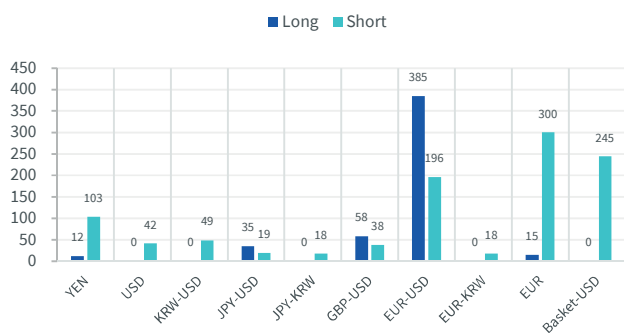


AUM by Leverage Factor



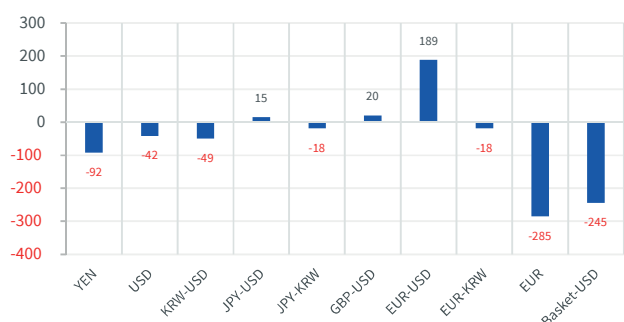
Notional AUM by Long / Short ETPs

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

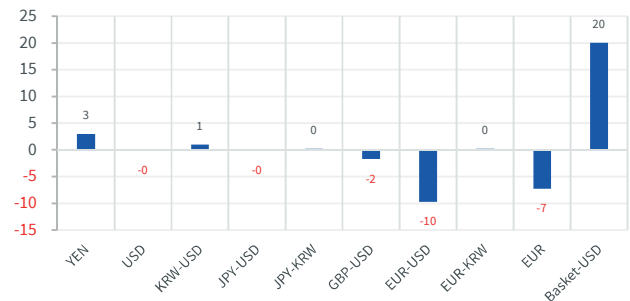
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



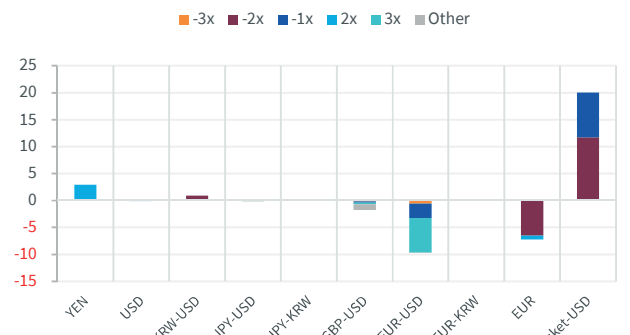
May 2019 Flows

By currency exposure; Over May 2019; Figures in USD Mil; Showing the Flows for top 10 AUM currency exposures

Asset Flows

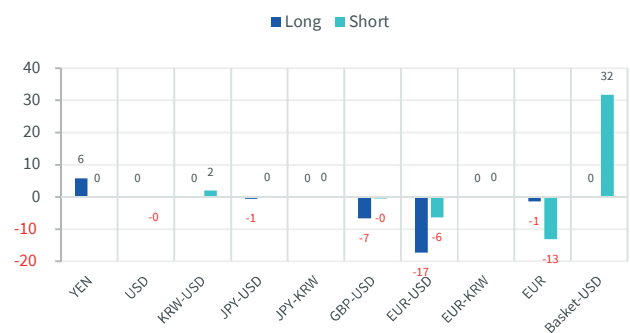


Asset Flows by Leverage Factor



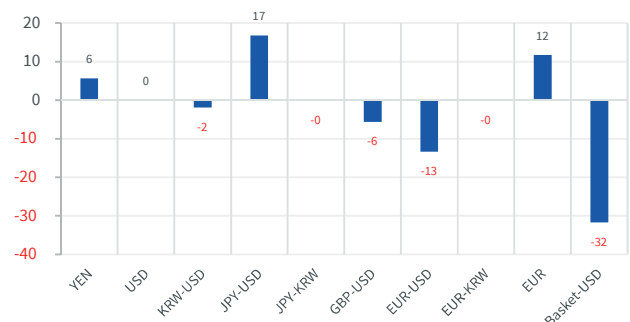
Notional Flows by Long / Short ETPs

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



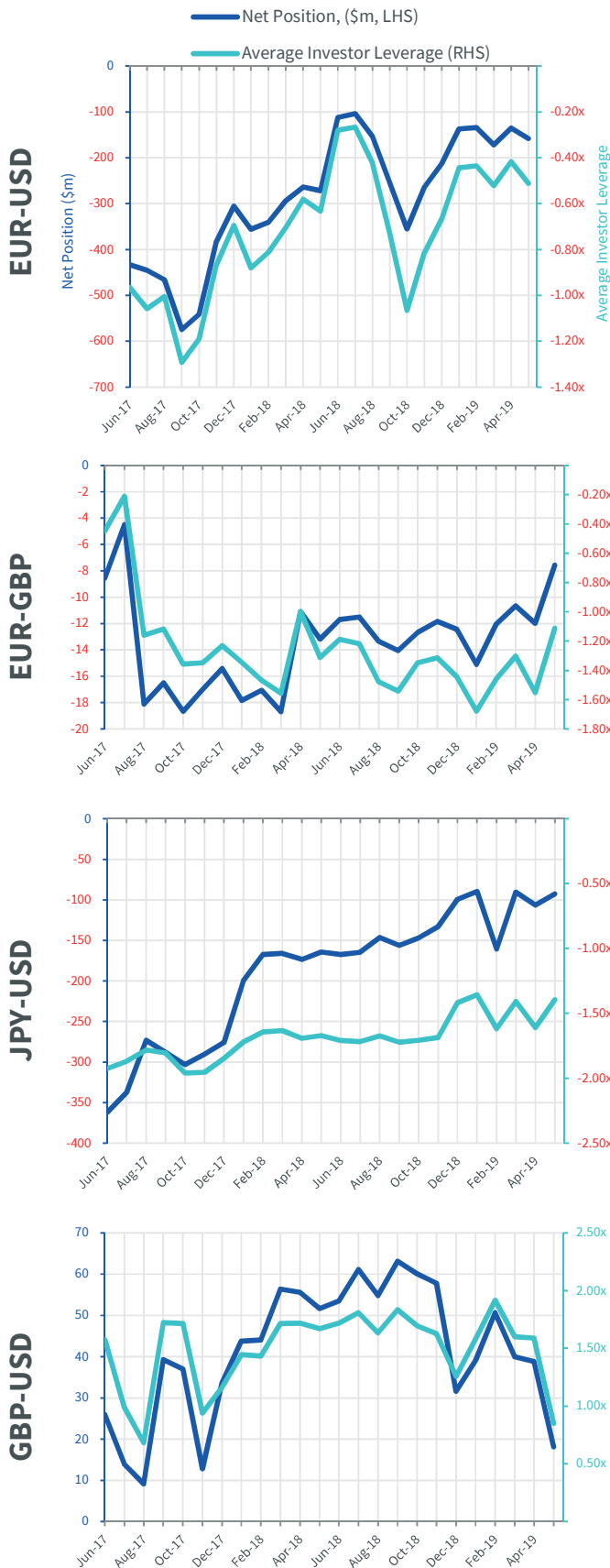
Net Position Flows

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

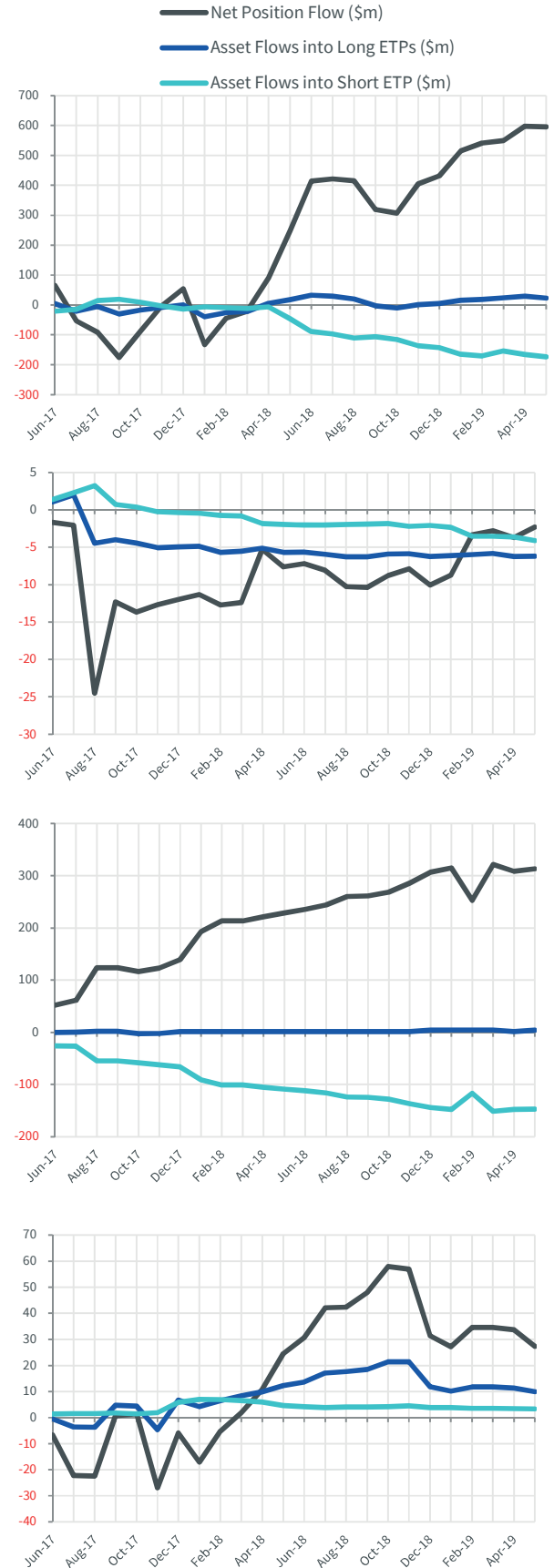


Global Currencies - Historical View

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 May 2019. 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.