

WisdomTree

SHORT & LEVERAGED ETPs
Global Flows
February 2019

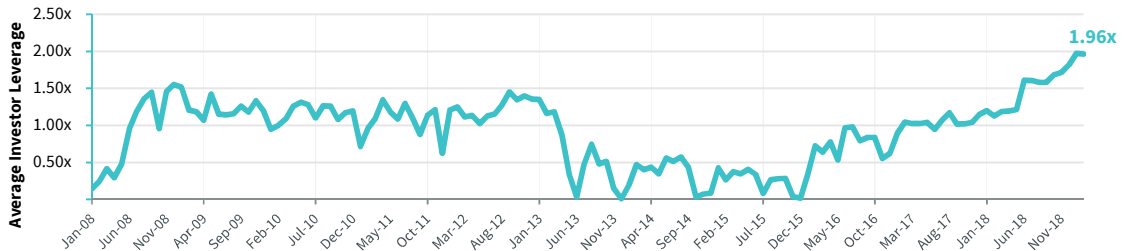


Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily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

As the Federal Reserve indicated it is less likely to raise rates compared to guidance it provided in December 2018, gold markets have been a beneficiary. Speculative positioning in gold futures rose in February, corroborating the bullish signs we have observed in the gold short and leverage (S&L) market. The average investor leverage on gold S&L ETPs remained at record high levels, finishing the month at +1.96x.

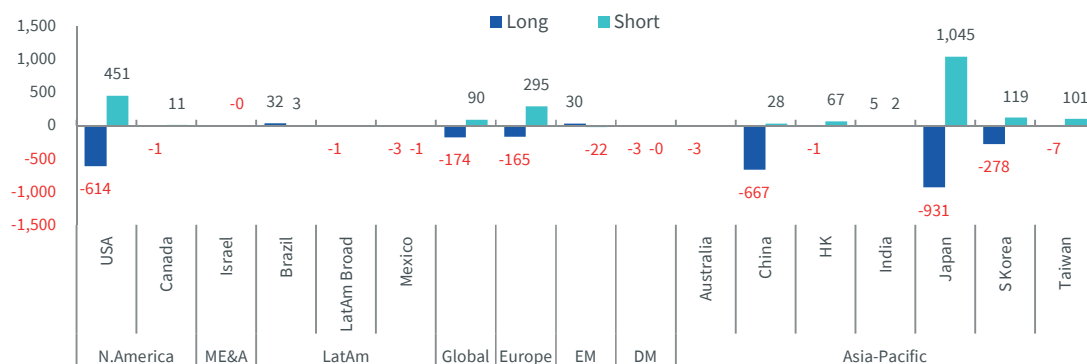


S&L investors continued the sell-off, with the US and Japan leading the way

After buying the dip in December, S&L investors continued selling off equities after January's profit taking. In February, investors sold \$2.7bn of leveraged (long) ETPs and bought \$2.2bn of short ETPs. Accounting for the leverage factors, these flows represents an unwinding of nearly \$12bn worth in net equity positions (\$27bn YTD).

These bearish flows were led by S&L ETPs tracking the US and Japan, where investors have not only retreated from leveraged positions, but also replaced those with short positions (see p9), indicating a clearly bearish view on these markets. In Europe the action has been similar, with investors retreating from leveraged ETPs and establishing positions in short ETPs (see p11). The only exception in equities are emerging markets where investors have turned bullish this month, unwinding short ETPs and increasing their positions in long leveraged ETPs.

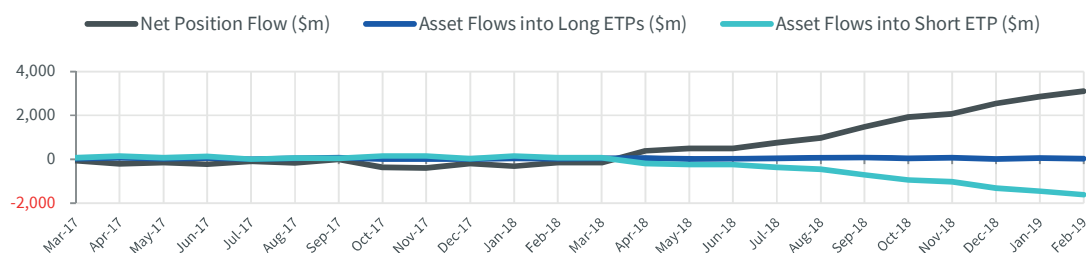
Global Equities – Asset Flows by Long / Short ETPs in February 2019



US fixed income short positions fall to a 10-year low and Italian Government Bonds (BTPs) short positions fall to 2-year lows

S&L ETP investors continued to unwind their short fixed income positions, potentially reflecting bearishness on the US Economy, the inflation rate or the pace of interest rises going forward. In February S&L investors redeemed a further \$191m from short US government debt ETPs.

US Government Bonds – Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



Market Review

Global Asset Allocation

- The total global AUM of Short & Leveraged (S&L) ETPs was \$77.9 billion as of 28/02/2019
- 34% of AUM is held in short products with leverage factors ranging between -1x to -3x. 66% 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 42% of AUM.
- In terms of S&L asset allocation, equity ETPs are the most popular with 82% of AUM, followed by commodities with 8% and debts with 7%. The remainder is allocated between currency and alternative ETPs.
- The largest individual S&L ETPs are leveraged long Japan equities: \$4.3 billion for Next Funds Nikkei 225 Leveraged Index ETF.

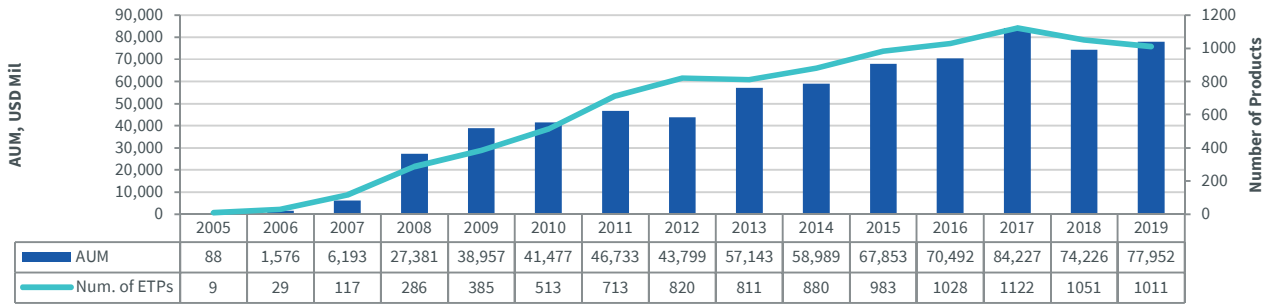
All data provided in this report is sourced from calculations by WisdomTree, which are performed on underlying price, return, AUM, currency and market capitalisation data from Bloomberg®. All data is as of 28 February 2019. All figures are denominated in USD.

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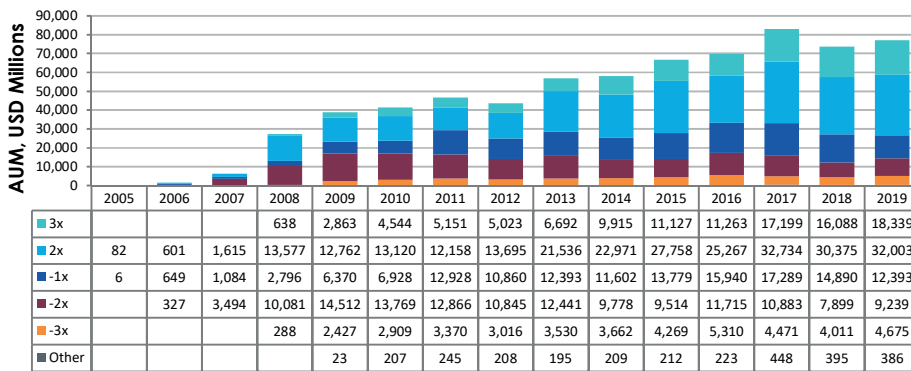
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Global Growth of S&L ETFs/ETPs

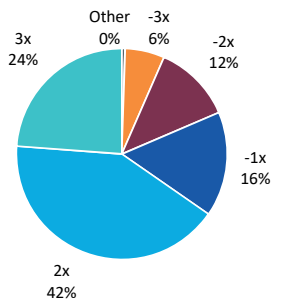
AUM and Number of Products



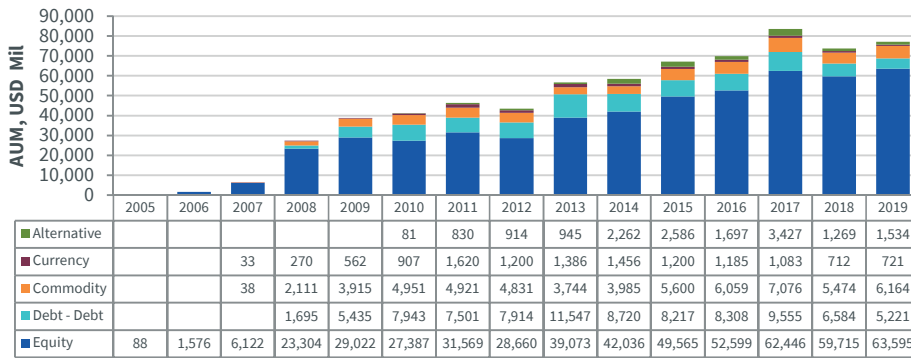
AUM by Leverage Factor



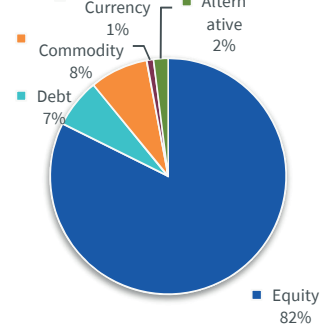
As of 28th February 2019



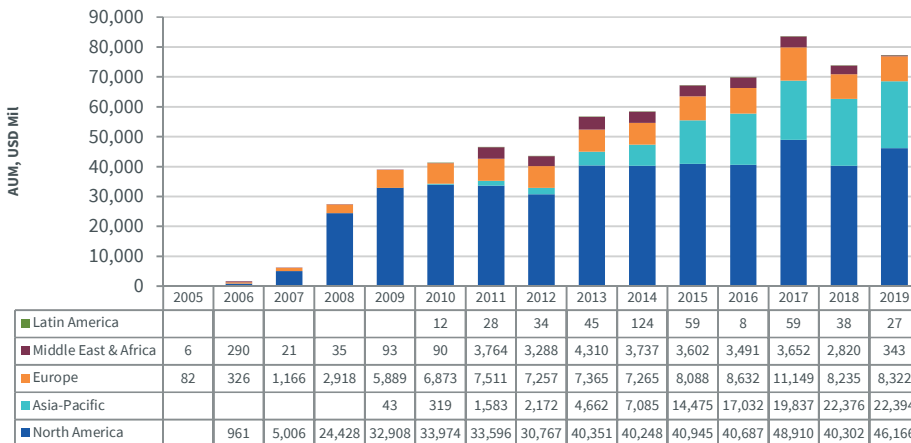
AUM by Asset Class



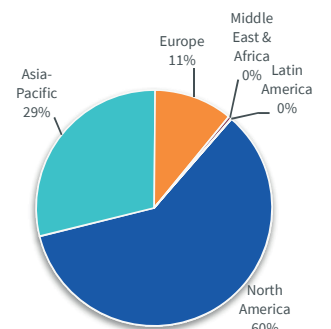
As of 28th February 2019



AUM by Domicile Region



As of 28th February 2019

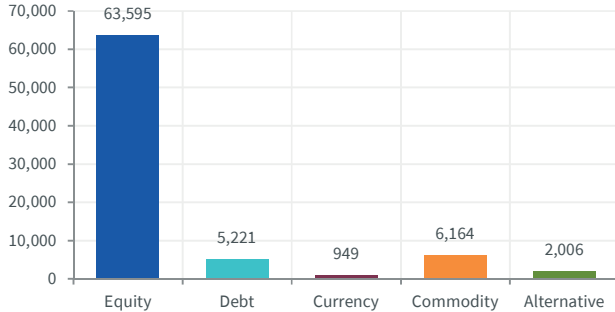


Global Asset Allocation

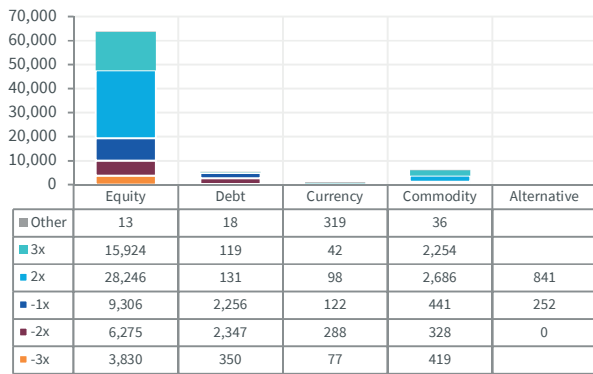
Current Allocations

As of 28th February 2019; Figures in USD Mil.

AUM

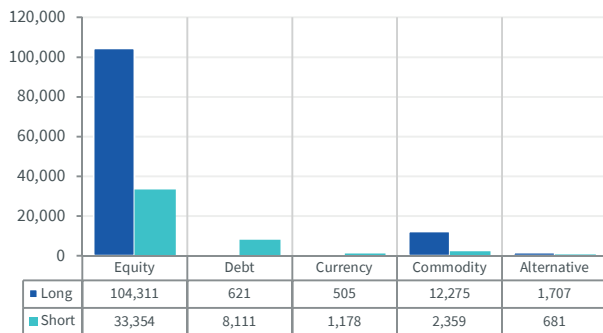


AUM by Leverage Factor



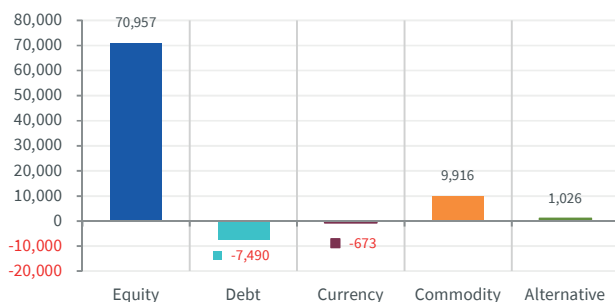
Notional AUM by Long / Short ETPs

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

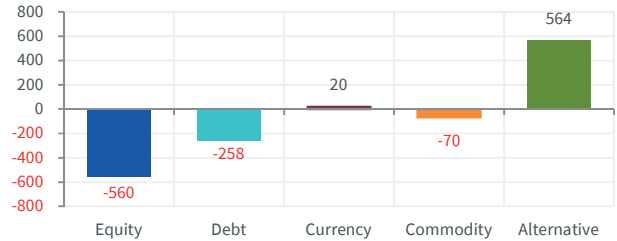
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



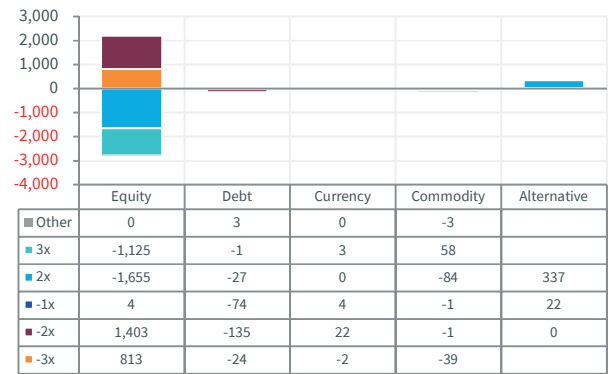
February 2019 Flows

Over February 2019; Figures in USD Mil.

Asset Flows

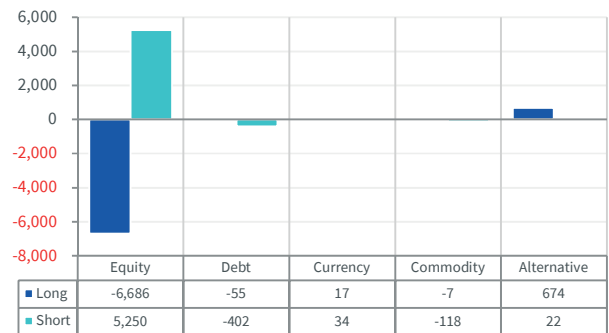


Asset Flows by Leverage Factor



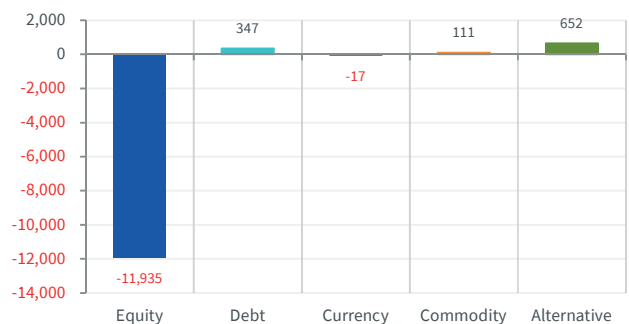
Notional Flows by Long / Short ETPs

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



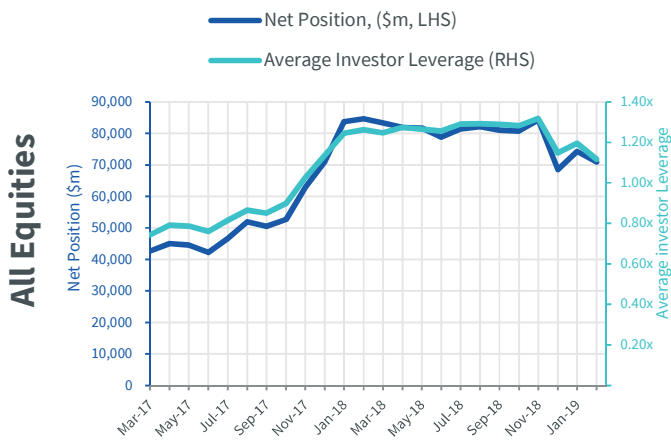
Net Position Flows

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

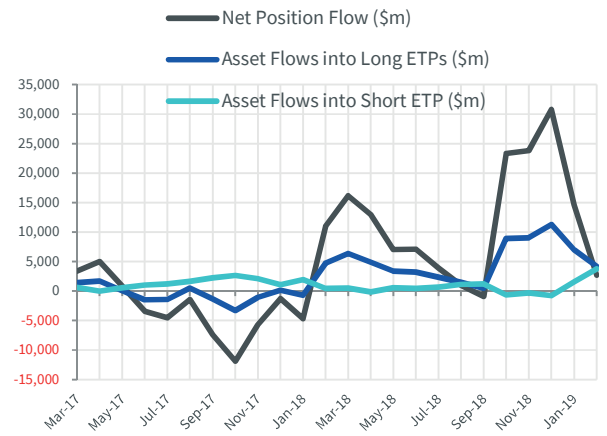


Global Asset Allocation - Historical View

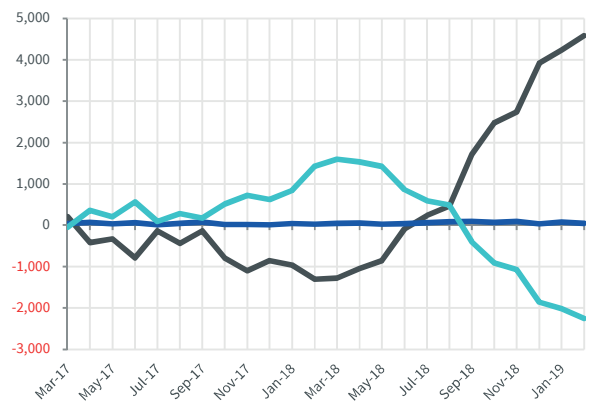
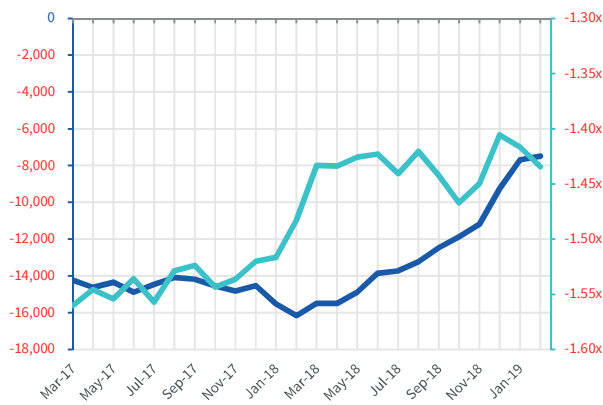
Net Position and Average Investor Leverage



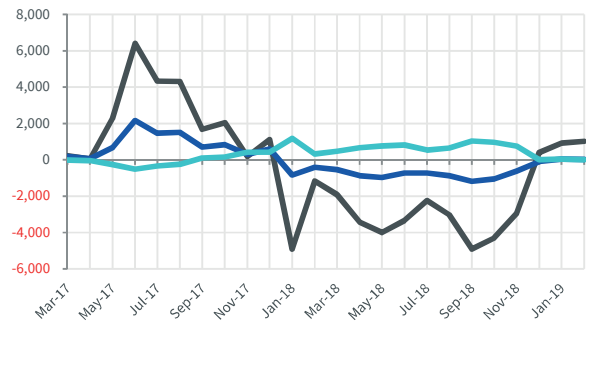
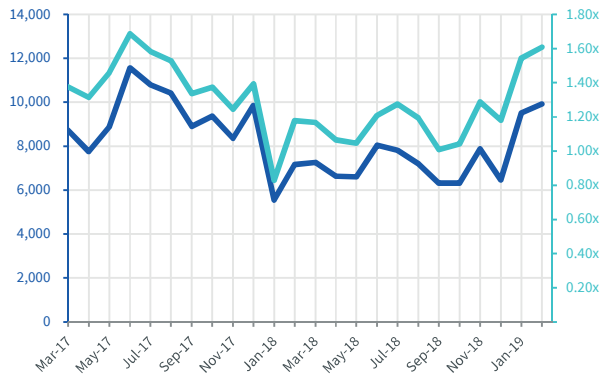
Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



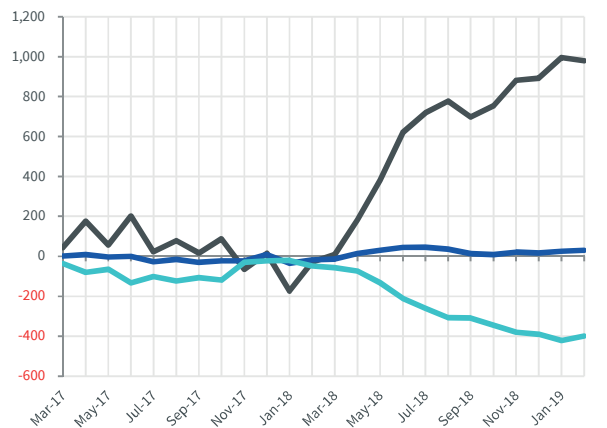
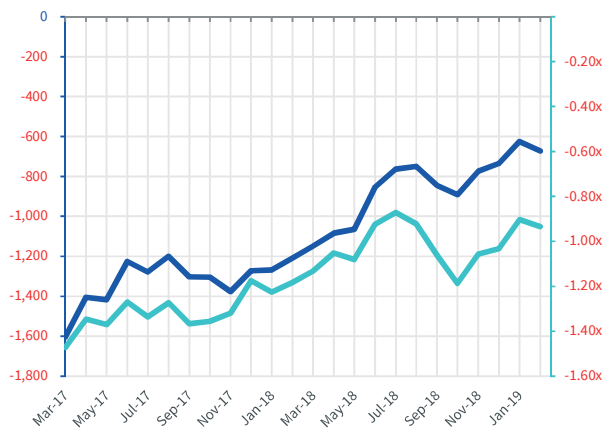
All Bonds



All Commodities



All Currencies



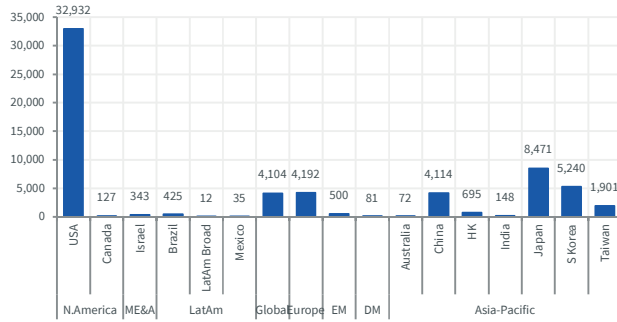
Short & Leveraged Equities

Global Equities

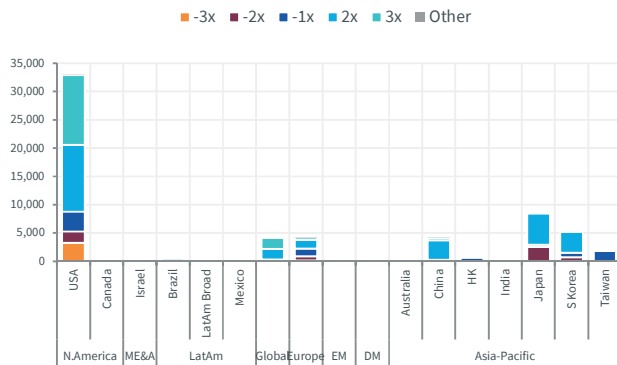
Current Allocations

By Geographic Exposure; As of 28th February 2019; Figures in USD Mil.
 "Europe" represents the sum total of ETPs exposed to Europe or European countries.

AUM

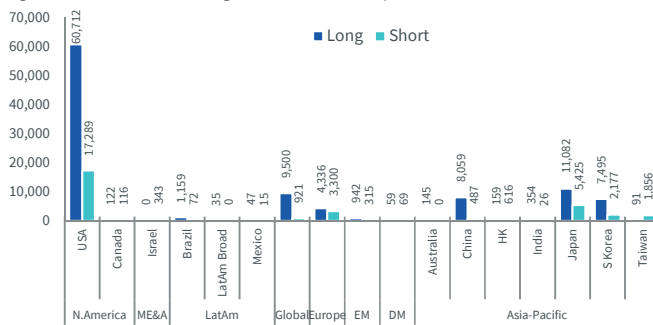


AUM by Leverage Factor



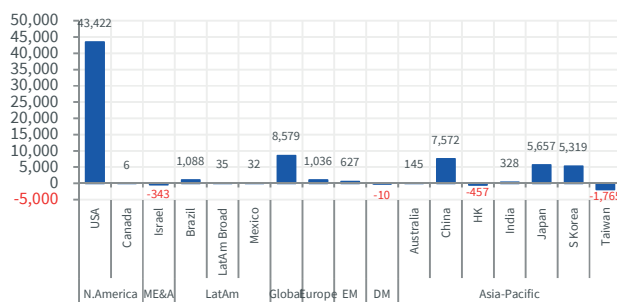
Notional AUM by Long / Short ETPs

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Net Position

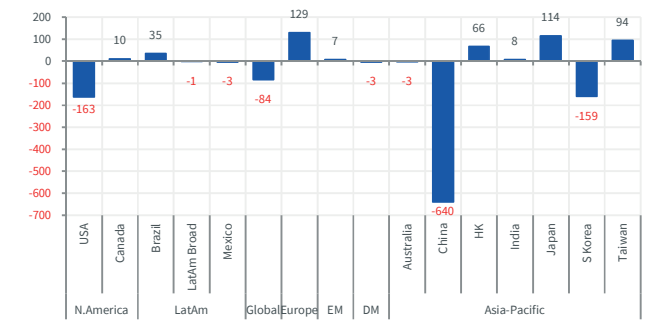
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



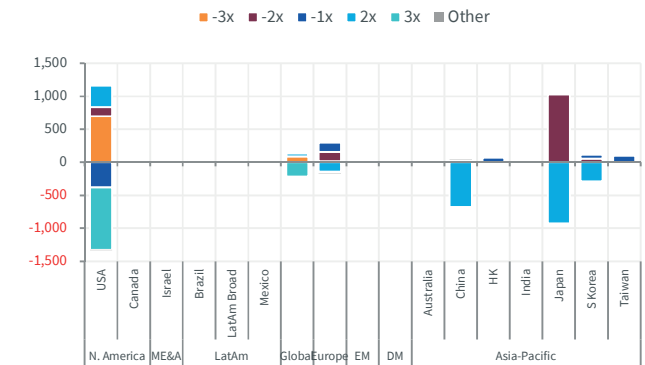
February 2019 Flows

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

Asset Flows

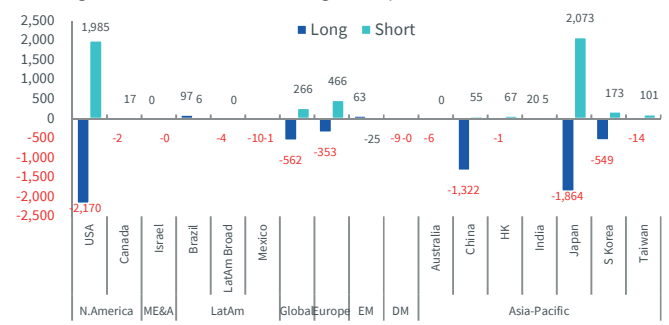


Asset Flows by Leverage Factor



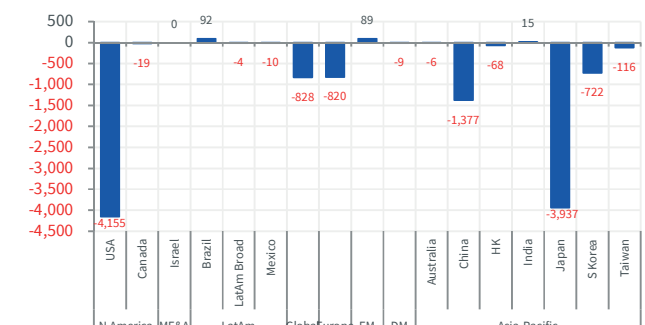
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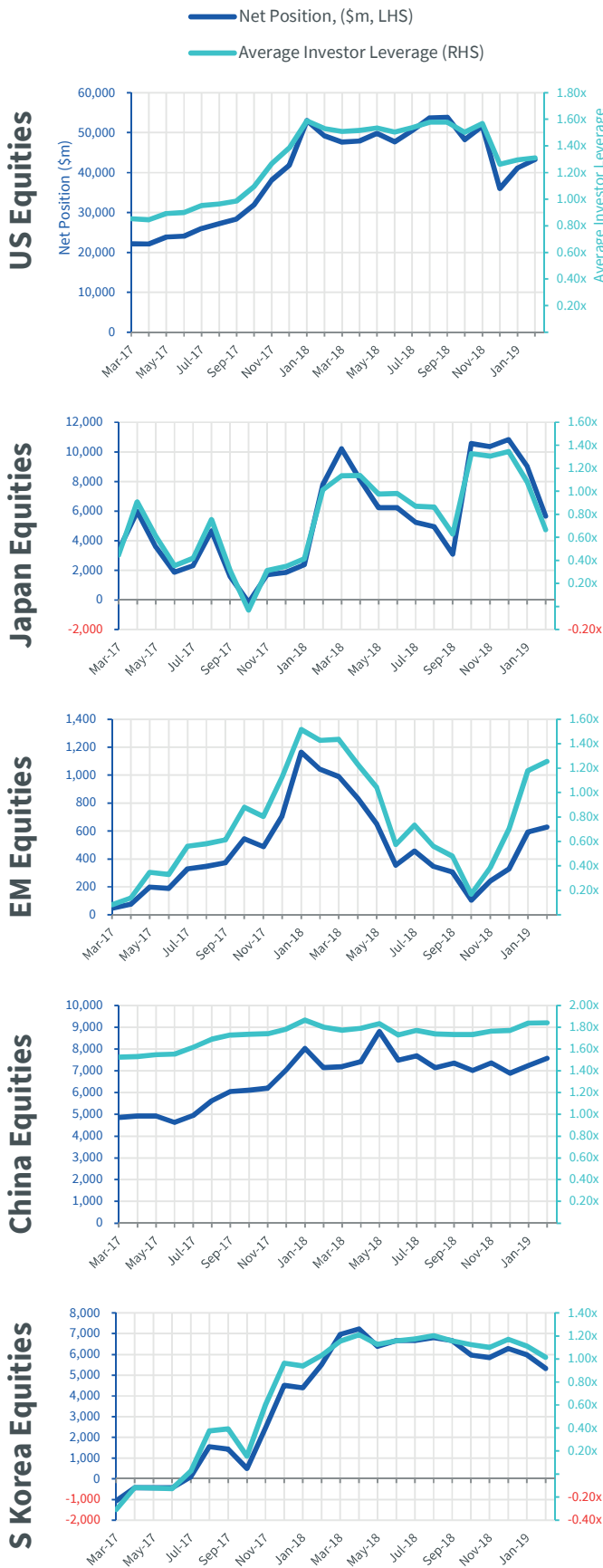
Net Position Flows

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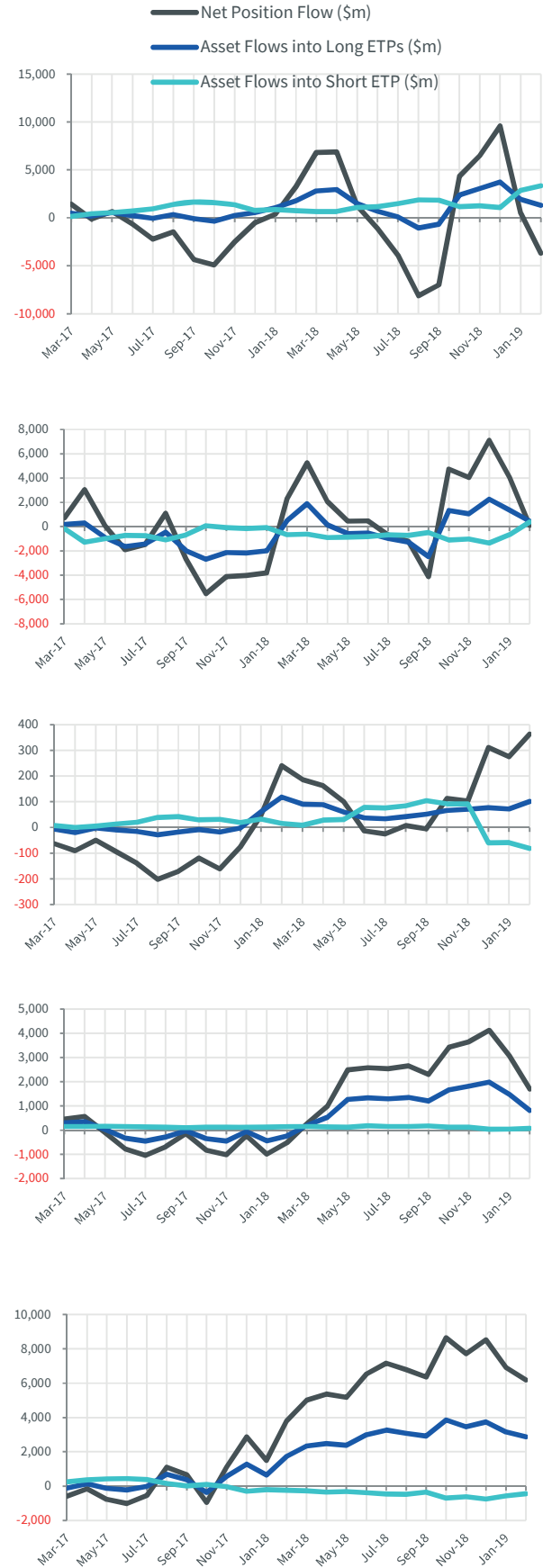


Global Equities - Historical View

Net Position and Average Investor Leverage



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



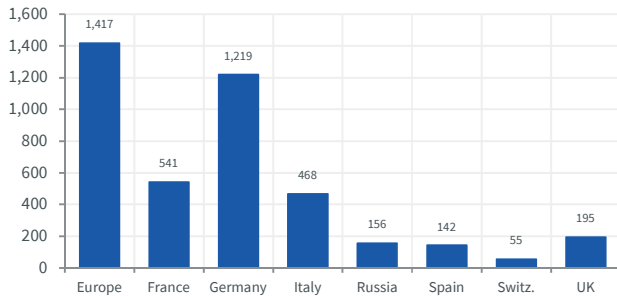
Europe Equities

Current Allocations

By Geographic Exposure; As of 28th February 2019; Figures in USD Mil.
 "Europe" represents ETPs exposed to Europe as a region.

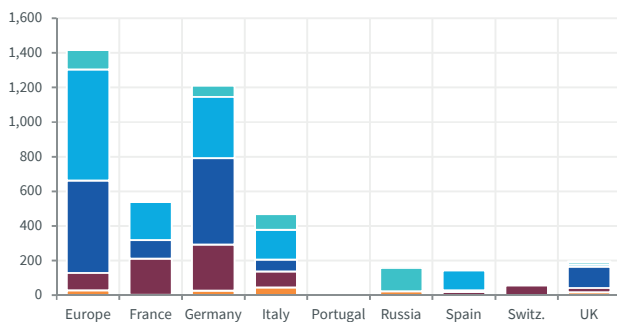
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

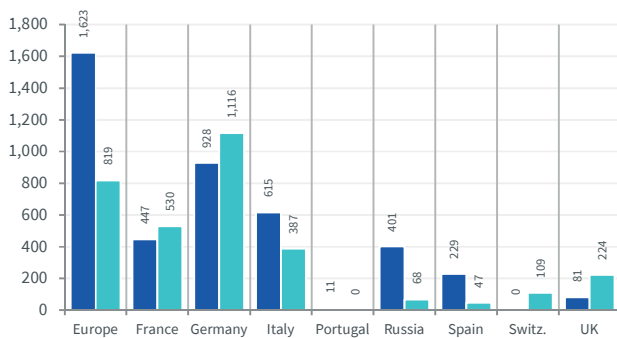
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

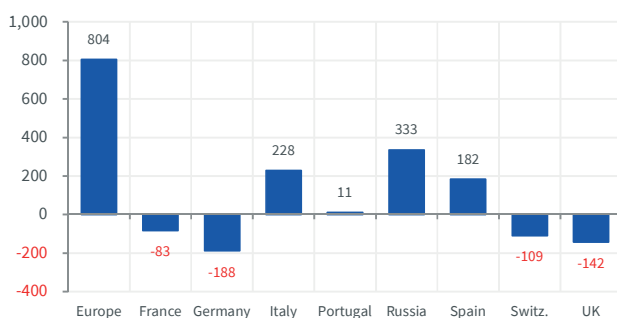
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Legend: Long, Short



Net Position

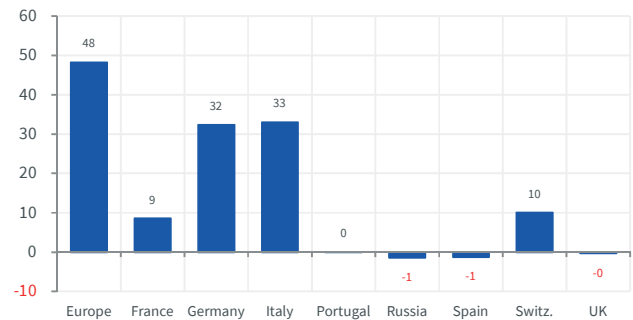
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February 2019 Flows

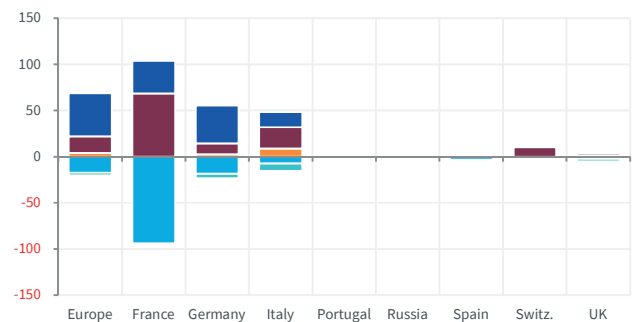
By Geographic Exposure; Over February 2019; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

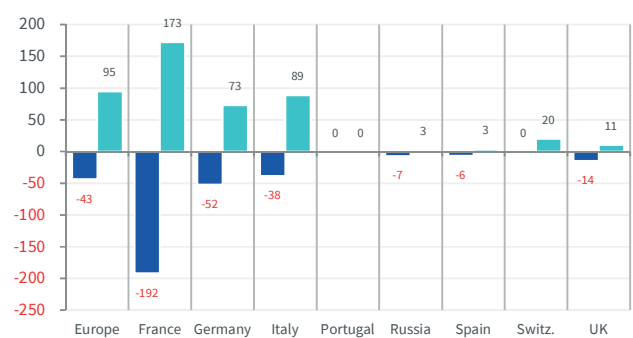
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Notional Flows by Long / Short ETPs

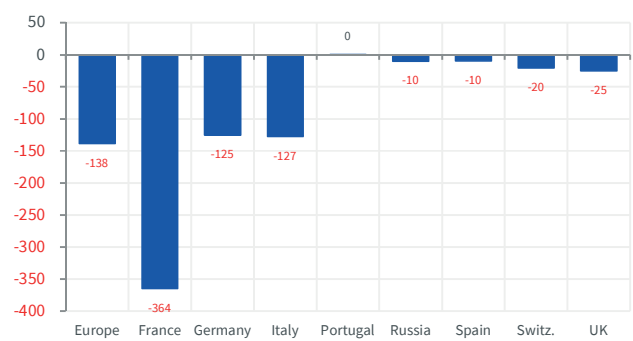
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Legend: Long, Short



Net Position Flows

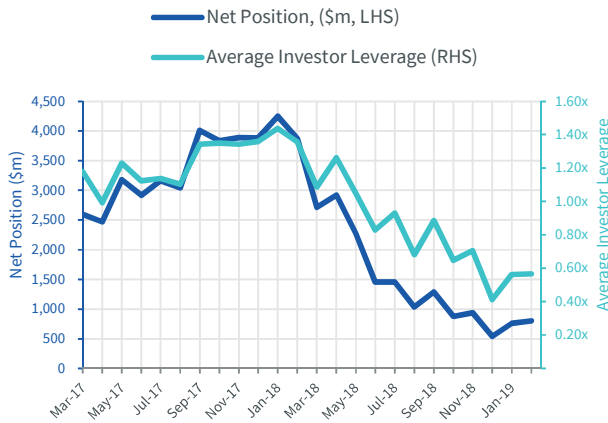
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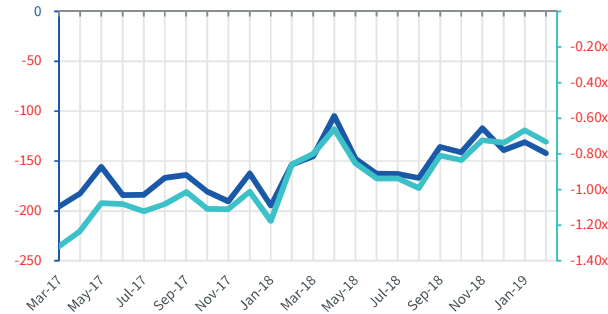
Europe Equities - Historical View

Net Position and Average Investor Leverage

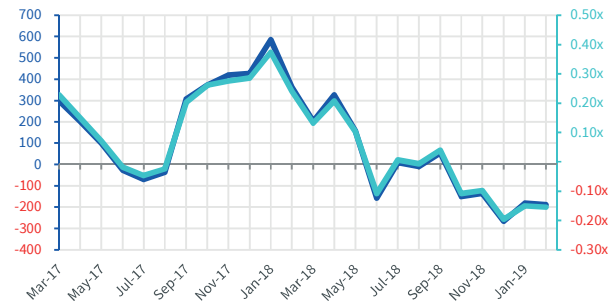
Europe (Broad Exposure) Equities



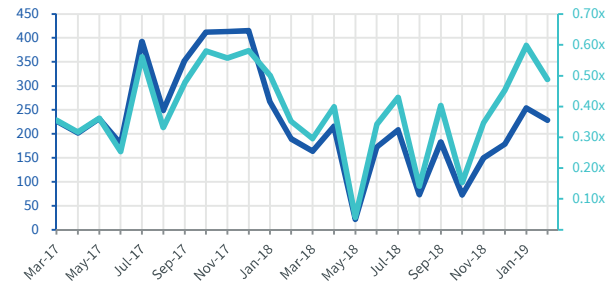
UK Equities



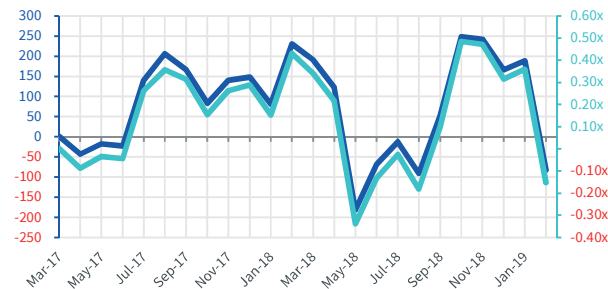
Germany Equities



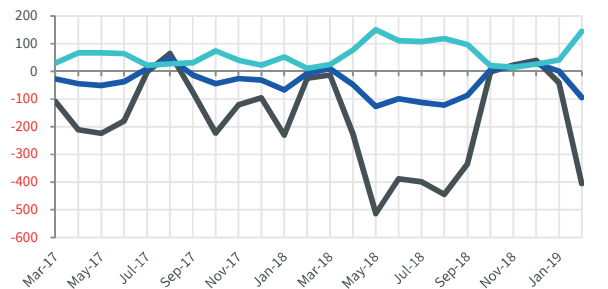
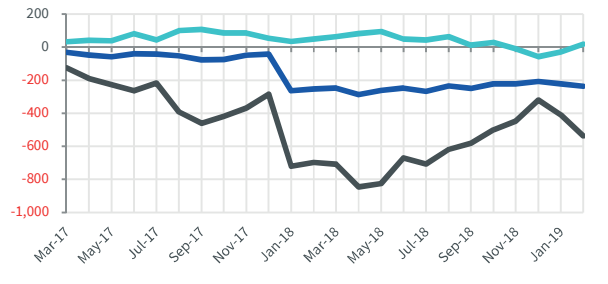
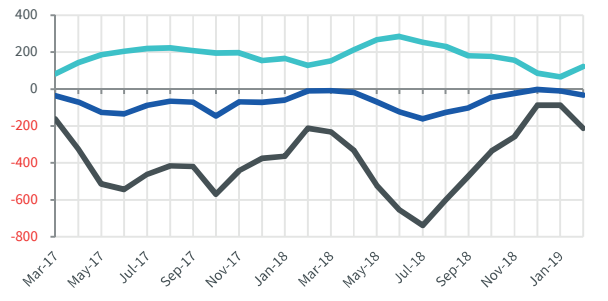
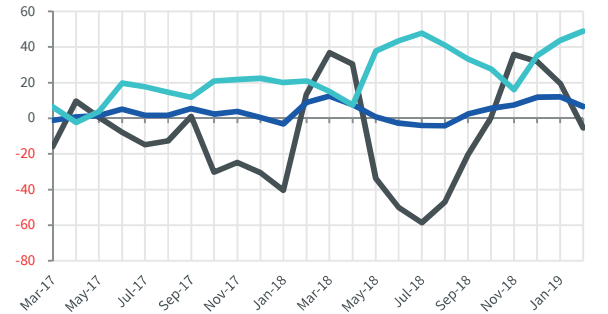
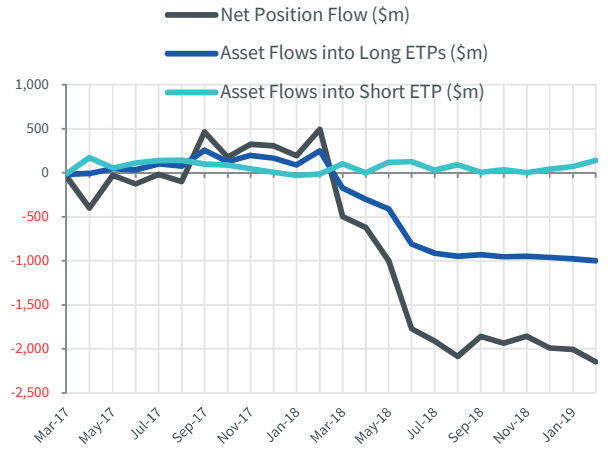
Italy Equities



France Equities



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



Short & Leveraged Government Debt

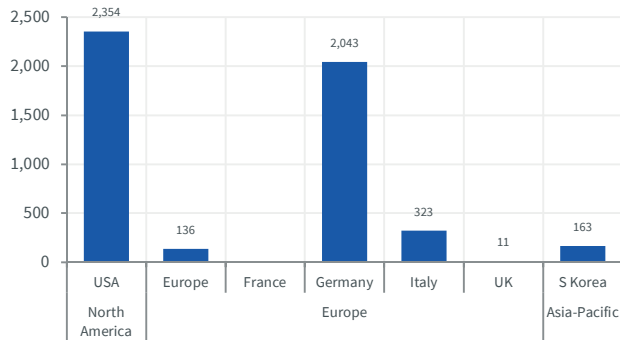
Global Debt

Current Allocations

By Geographic Exposure; As of 28th February 2019; Figures in USD Mil.

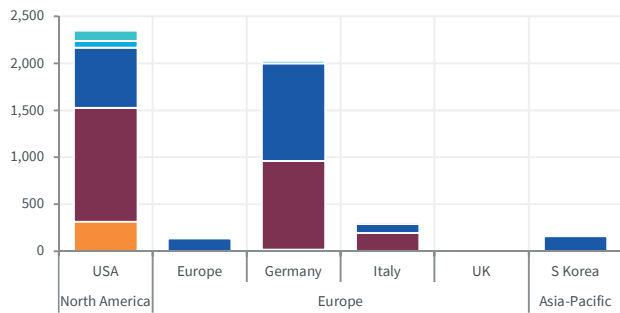
AUM

Showing countries with AUM above \$10mm



AUM by Leverage Factor

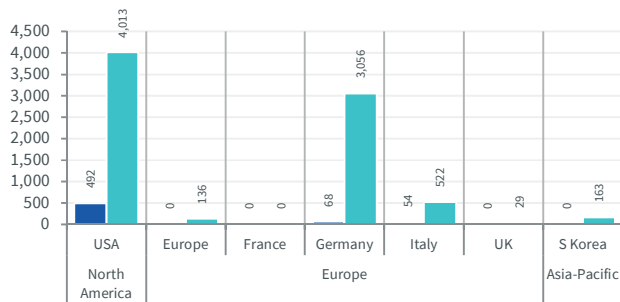
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional AUM by Long / Short ETPs

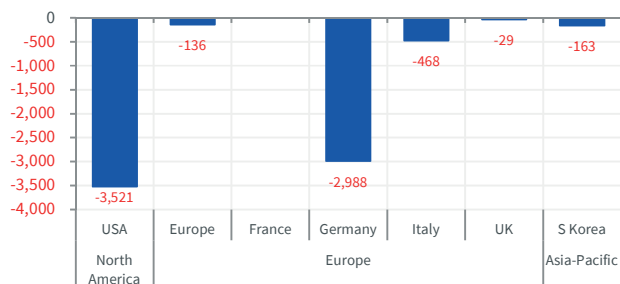
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



Net Position

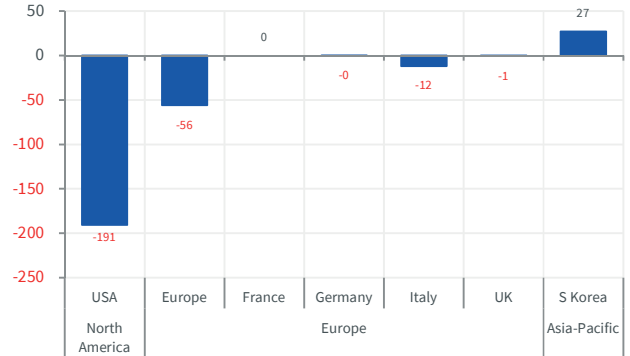
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February 2019 Flows

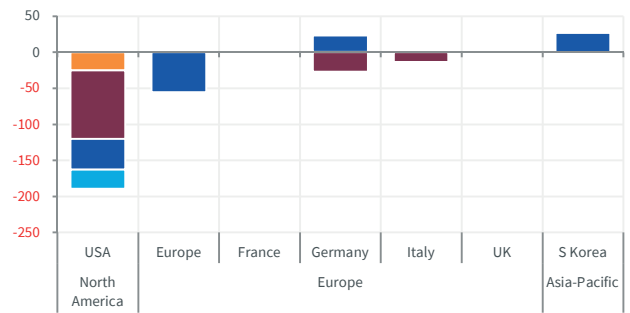
By Geographic Exposure; Over February 2019; Figures in USD Mil.

Asset Flows



Asset Flows by Leverage Factor

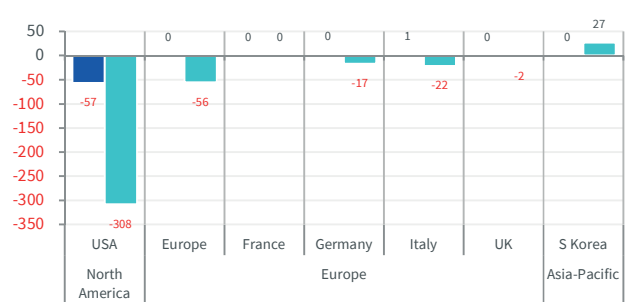
Legend: -3x, -2x, -1x, 2x, 3x, Other



Notional Flows by Long / Short ETPs

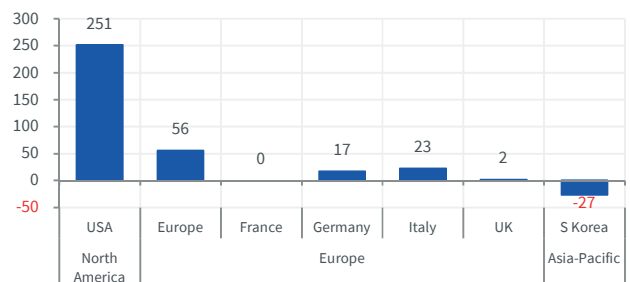
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Legend: Long, Short



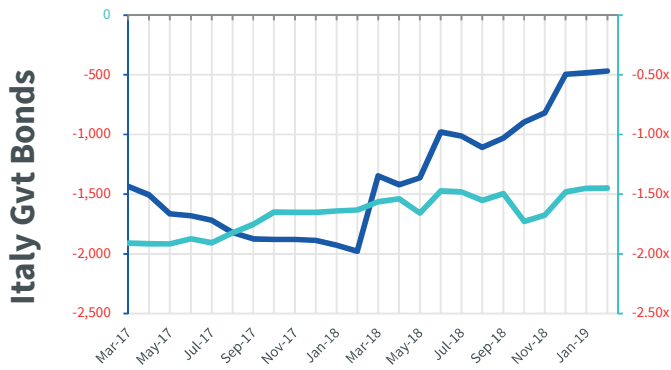
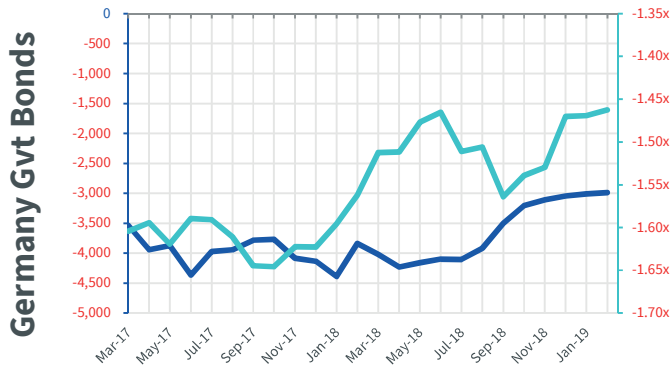
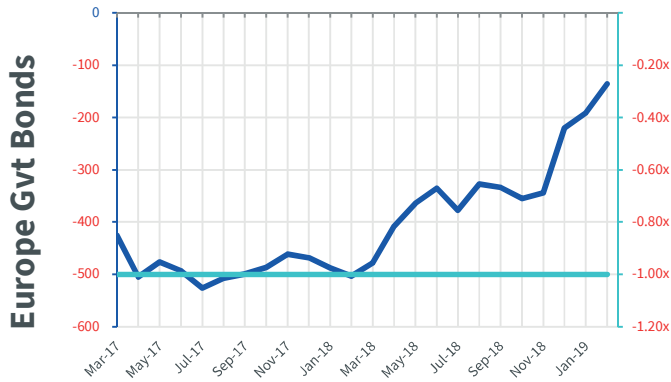
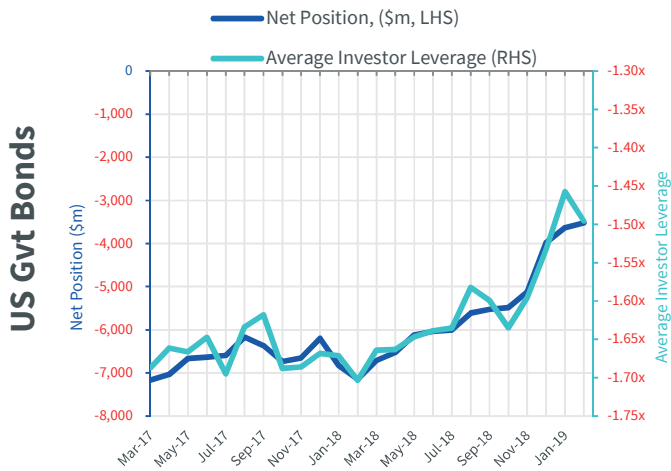
Net Position Flows

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

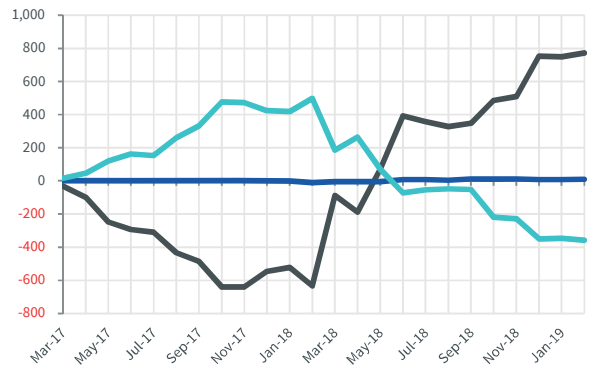
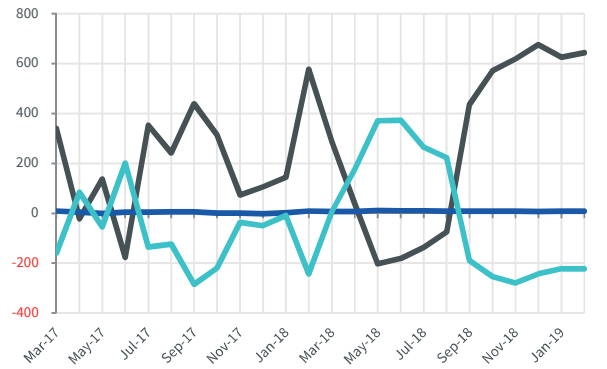
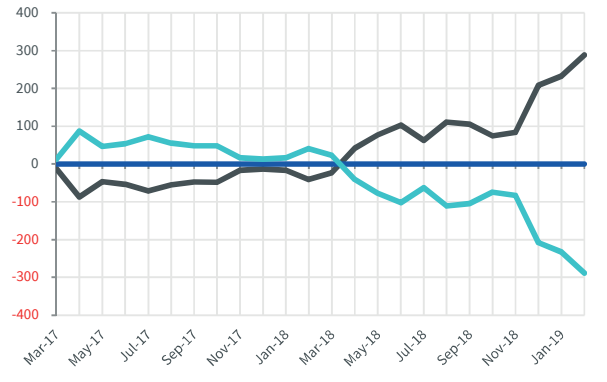
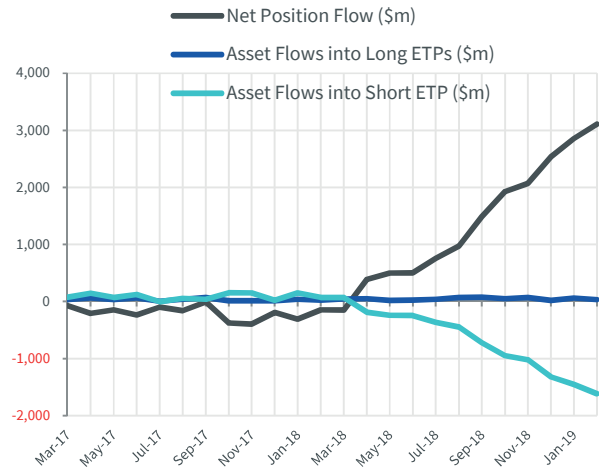


Global Debt - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Commodities

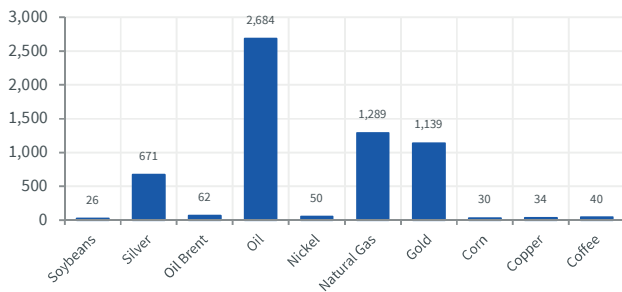
Global Commodities

Current Allocations

By commodity exposure; As of 28th February 2019; Figures in USD Mil;
Showing the top 10 AUM commodity exposures

AUM

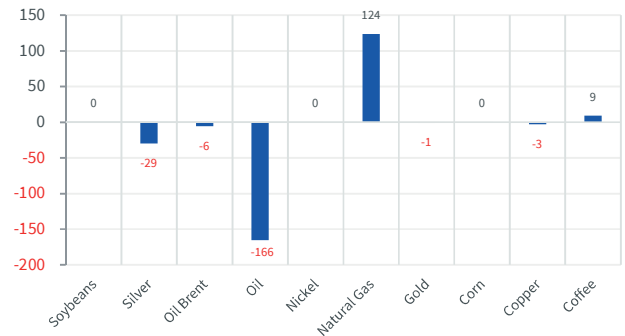
Showing commodity exposures with the top 10 AUMs



February 2019 Flows

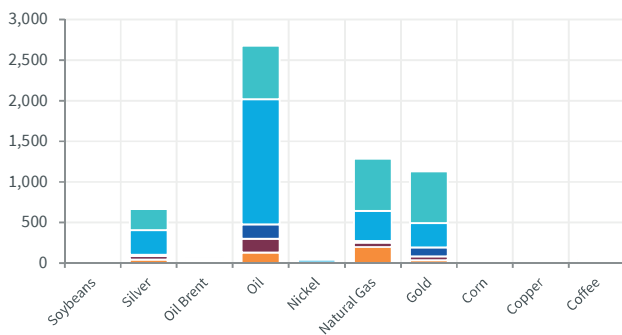
By commodity exposure; Over February 2019; Figures in USD Mil;
Showing the Flows for top 10 AUM commodity exposures

Asset Flows



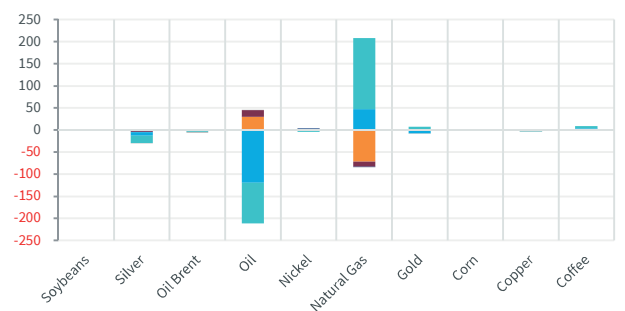
AUM by Leverage Factor

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



Asset Flows by Leverage Factor

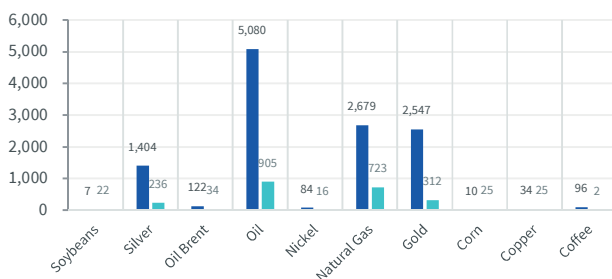
Legend: -3x, -2x, -1x, 2x, 3x, Other



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

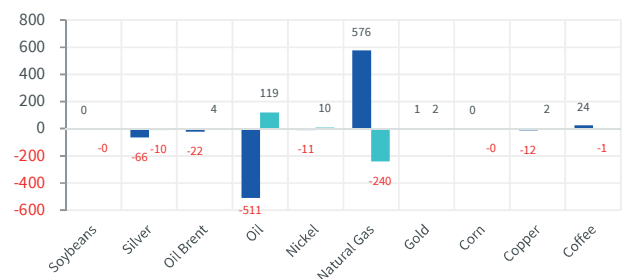
Legend: Long, Short



Notional Flows by Long / Short ETPs

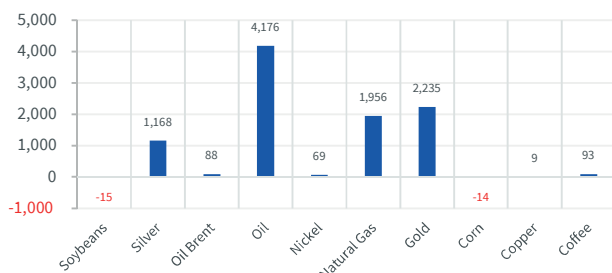
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



Net Position

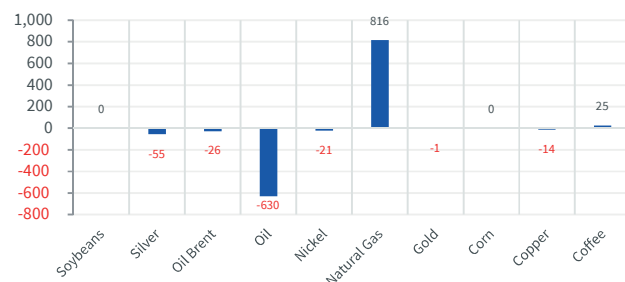
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



Net Position Flows

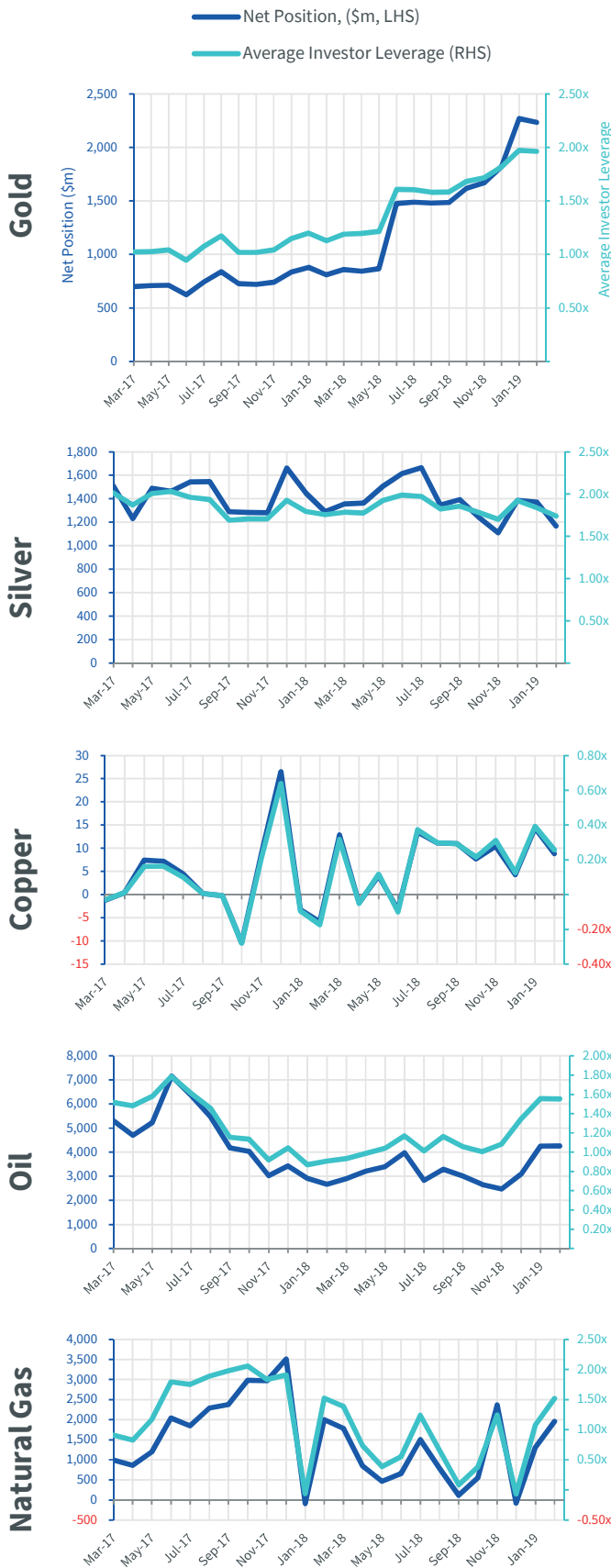
The notional flow in long ETPs minus the notional flow in short ETPs.

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

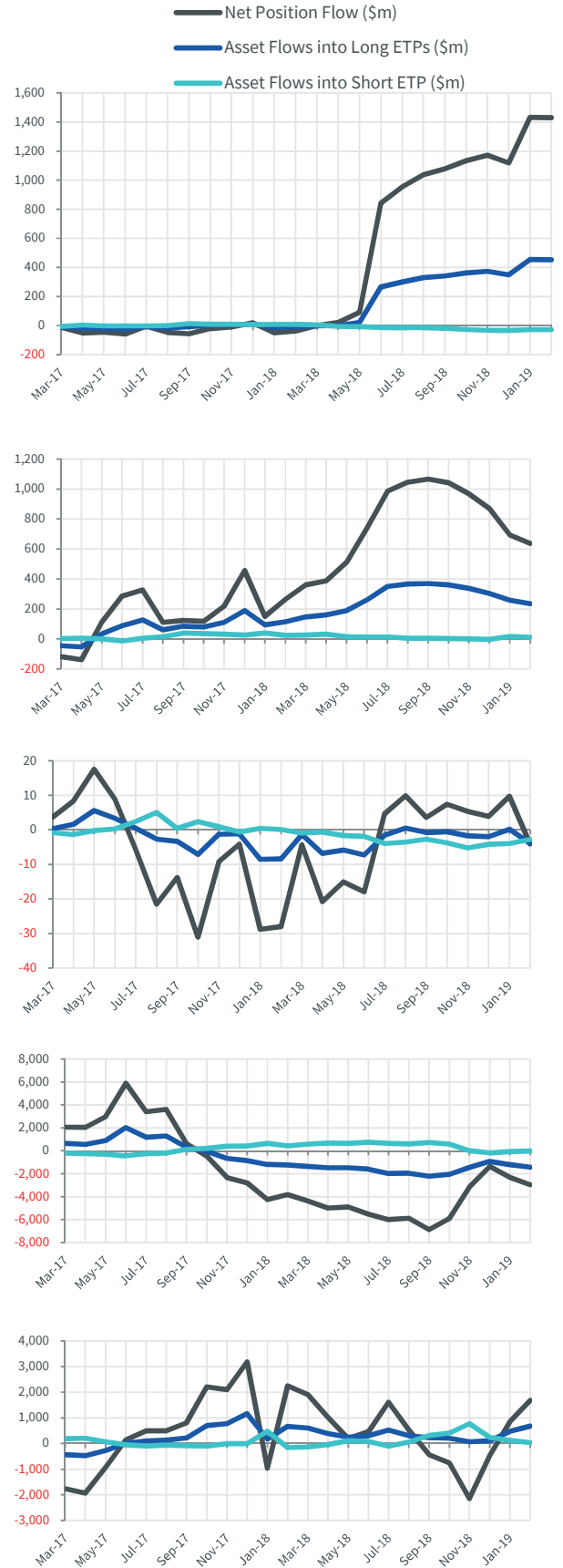


Global Commodities - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Currencies

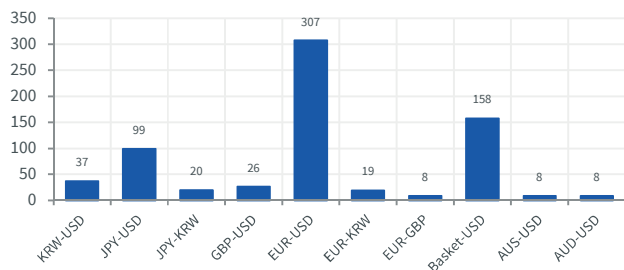
Global Currencies

Current Allocations

By currency exposure; As of 28th February 2019; Figures in USD Mil; Showing the top 10 AUM currency exposures

AUM

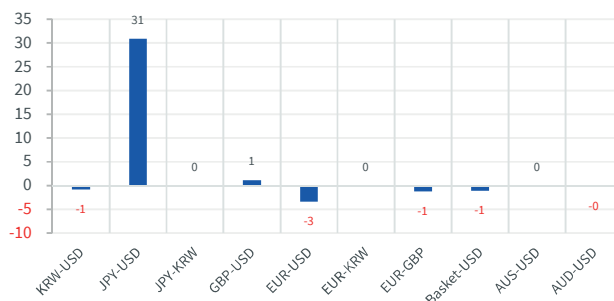
Showing currency exposures with the top 10 AUMs



February 2019 Flows

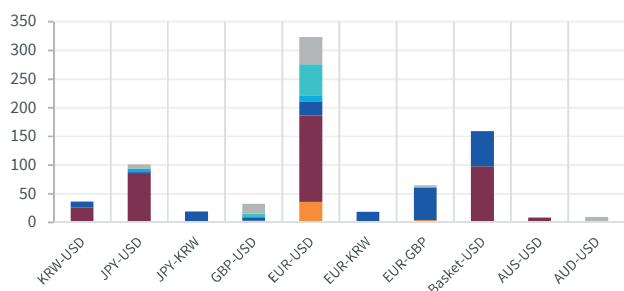
By currency exposure; Over February 2019; Figures in USD Mil; Showing the Flows for top 10 AUM currency exposures

Asset Flows



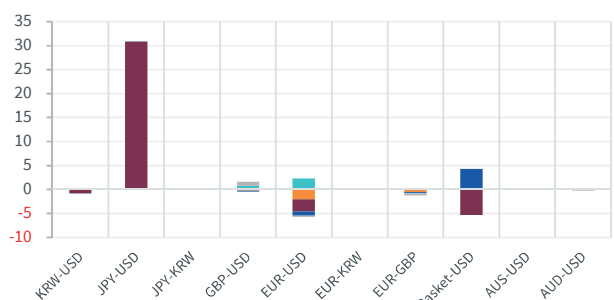
AUM by Leverage Factor

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



Asset Flows by Leverage Factor

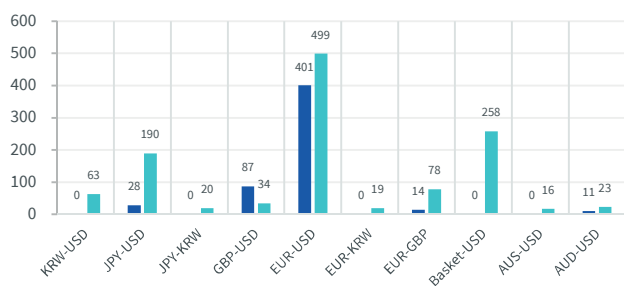
Legend: -3x, -2x, -1x, 2x, 3x, Other



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

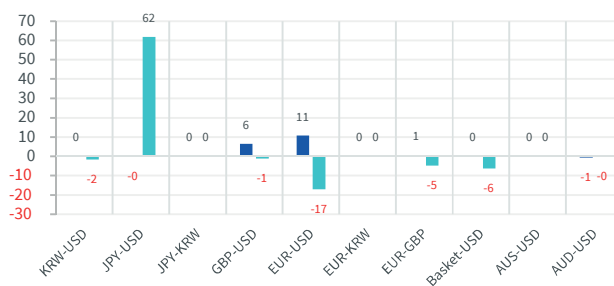
Legend: Long, Short



Notional Flows by Long / Short ETPs

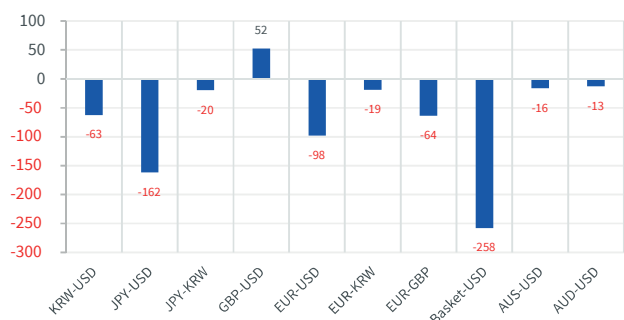
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



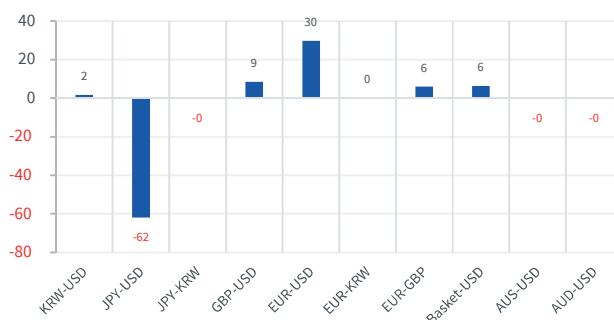
Net Position

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



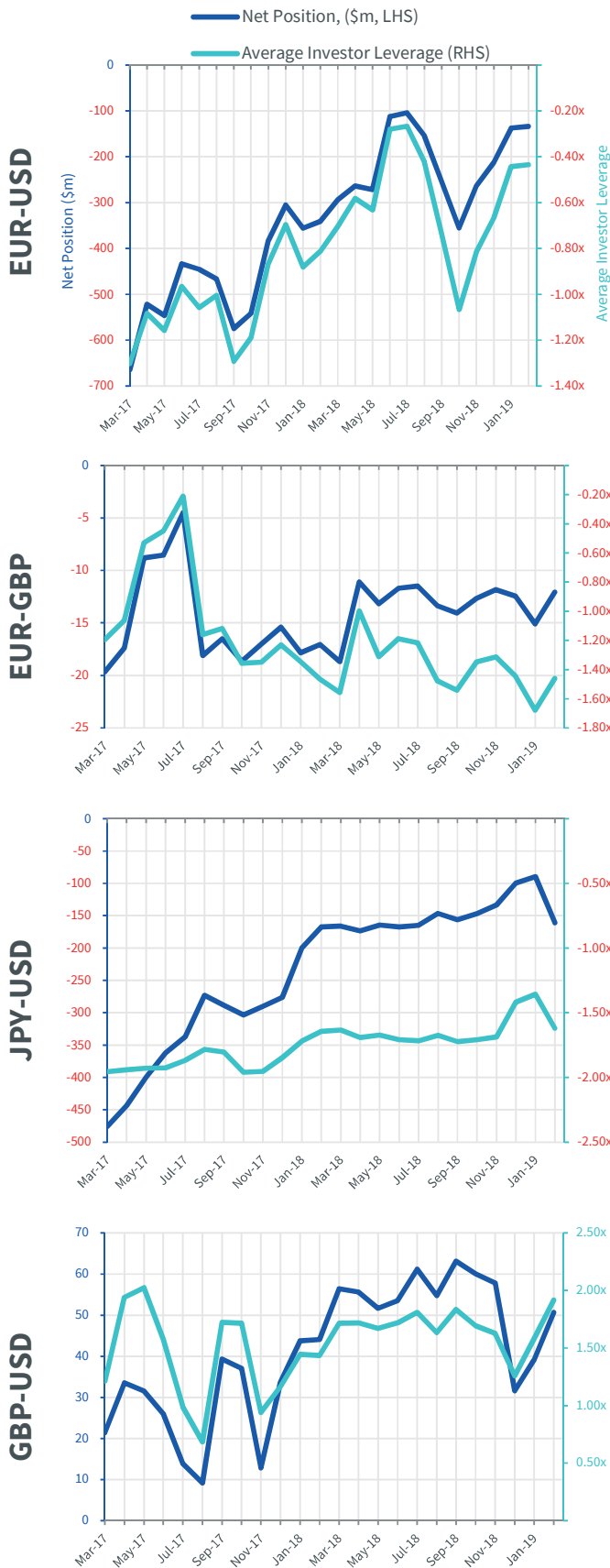
Net Position Flows

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

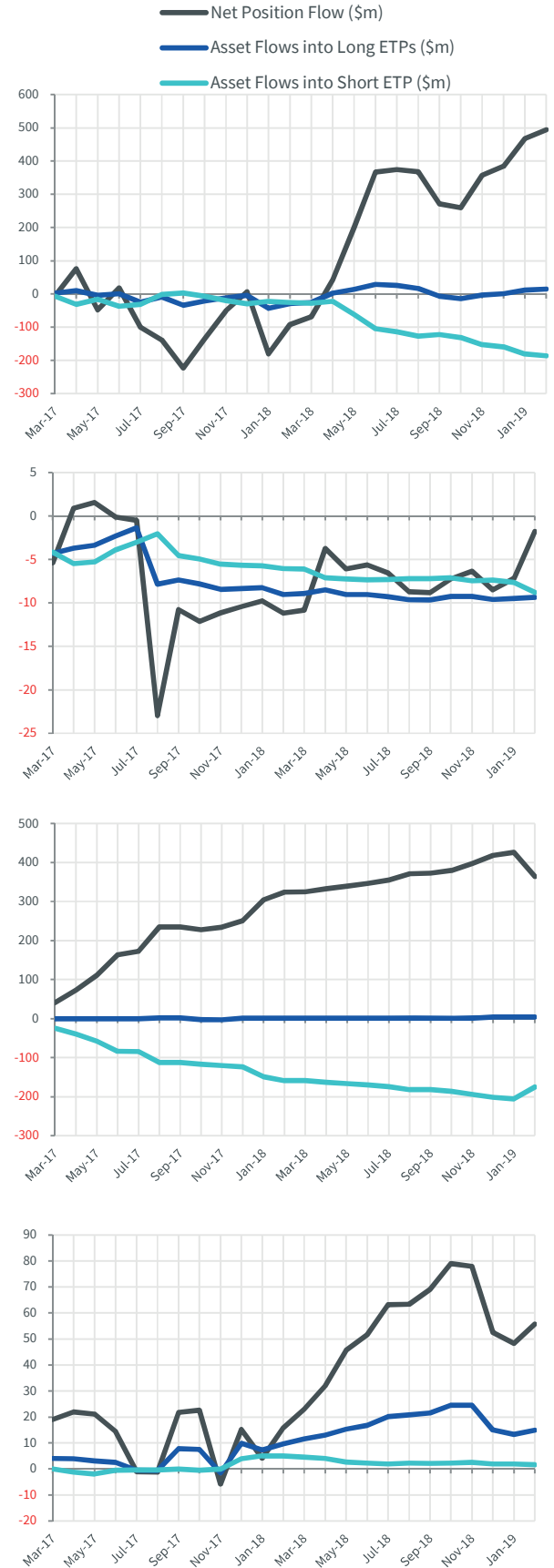


Global Currencies - Historical View

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 28 February 2019. All figures are denominated in USD.

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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.