

WisdomTree

SHORT & LEVERAGED ETPs
Global Flows
August / 2019

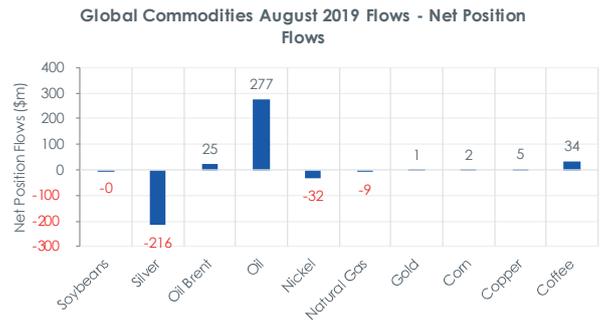
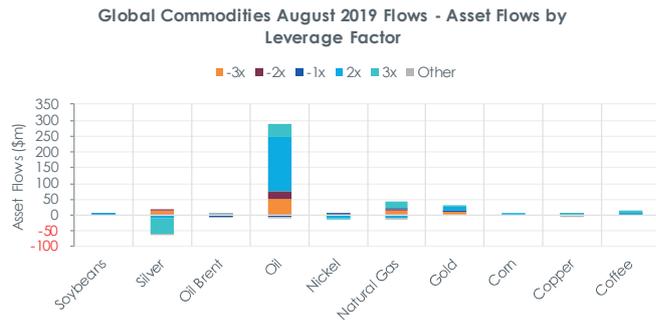


Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily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

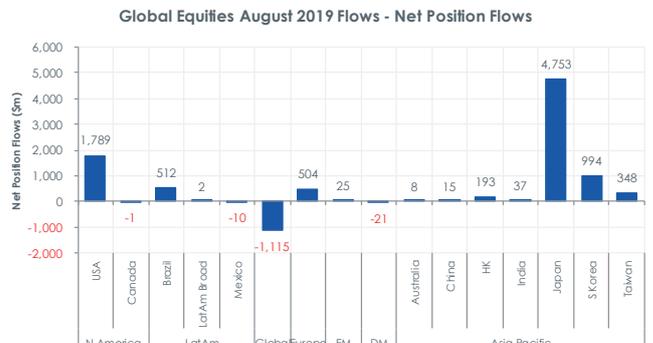
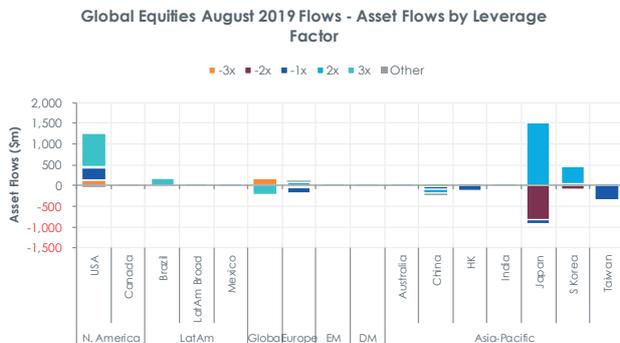
Short & Leveraged (S&L) investors appear to maintain bullish views in crude oil

Investors in S&L Exchange Traded Products (ETPs) continued to add to their bullish bets on crude oil during August. Crude oil had a challenging month in August with Brent prices falling around 9% during the month owing to ample supplies, particularly from non-Organization of the Petroleum Exporting Countries (non - OPEC) producers, and little improvement in demand prospects. The other notable move during the month was in silver where S&L investors redeemed their long positions by \$216mn, if considering leverage factors. This trade would have been fruitful for investors as silver has had reasonable price appreciation recently on account of its correlation with gold. Interestingly however, no notable positions were taken during the month in gold by S&L investors. However, the average investor leverage on gold ETPs reached an all-time-high level of 2.19x in August 2019.



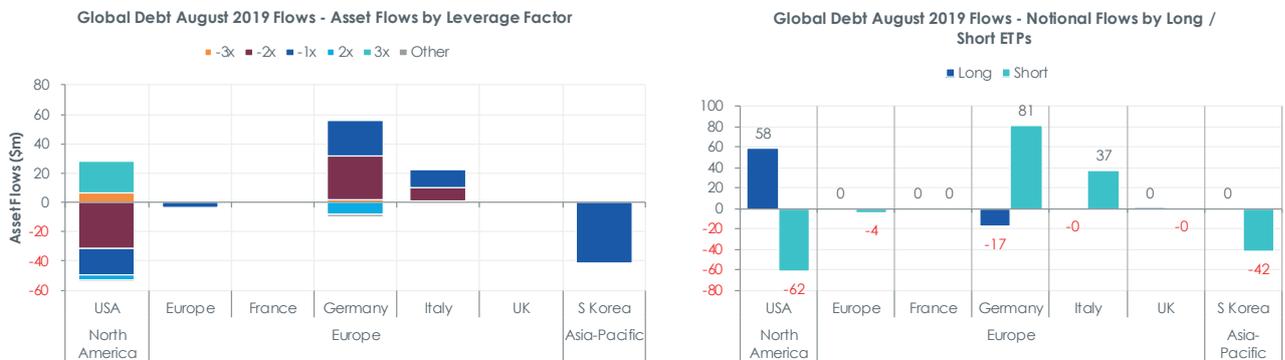
Investors in S&L ETPs took bullish positions in US and Japan equity

S&L investors added bullish positions in US and Japanese equities during the month of August. US equities experienced a broadly flat and volatile month in August following a dip towards the end of July when trade discussions between the US and China turned sour again. Investors in S&L ETPs ‘buying the dip’ are betting on a recovery of US stocks to record highs reached in July. In Japan, the annualised GDP growth figure of 1.8% for Q2 coming out higher than expected has probably buoyed the bullish sentiment. We believe headwinds are still prevalent for Japan with an impending increase in sales tax in October from 8% to 10% as well as global economic uncertainty. The sales tax may even have caused a one-off increase in the quarterly GDP growth figure with consumers anticipating the tax increase. Indeed, something similar was witnessed when the tax rate was increased in 2014.



While S&L investors continued to redeem their short US government bond positions, they also increased their 3x's long positions in August

Trade discussions between the United States (US) and China weighed negatively on market sentiment as the conflict continues after more than a year. The series of tariffs implemented by the United States on China has led to China retaliating by increasing tariffs on imports from the US and reducing tariffs on imports from other parts of the world. This ongoing conflict remains a key focal point for investors and has impacted future global growth expectations. At the same time, the gap between the yields on US Treasury 10-year bonds and two-year US Treasury bonds inverted in August which frightened many market participants as this inversion has historically been used as a predictor of an impending US recession. This move lower in long end US Treasury yields reflects investors' expectations of lower inflation and weaker economic growth going forward. Investors in S&L ETPs continued to redeem their short US government bond positions meanwhile in August they also increased their 3x's long position into US government bonds. For Germany, investor dynamics into S&L ETPs changed compared to previous months as investors increased their short German government bond and redeemed their long position. As German bund yields continued on their move lower with 10-year German bund yields closing the month of August at negative 71 basis points, investor sentiment for yields to move higher increased.



Global Asset Allocation

- The total global AUM of Short & Leveraged (S&L) ETPs was \$75.3 billion as of 30/08/2019
- 33% of AUM is held in short products with leverage factors ranging between -1x to -3x. 67% 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 83% of AUM, followed by commodities with 9% and debts with 5%. 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 30 August 2019. All figures are denominated in USD.

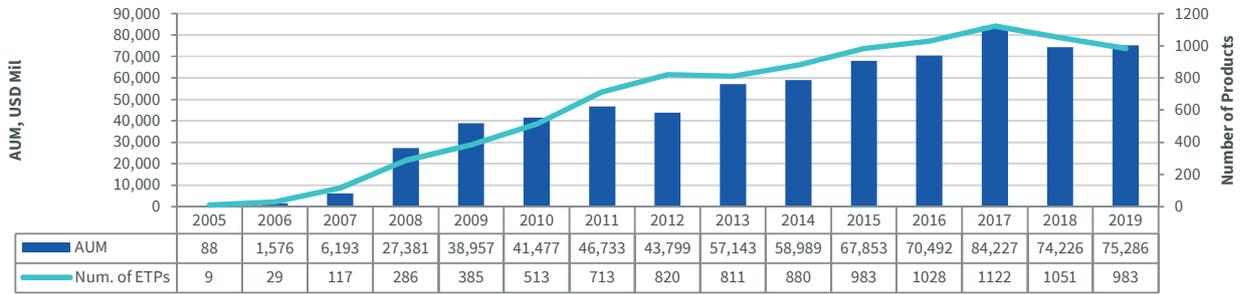
You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

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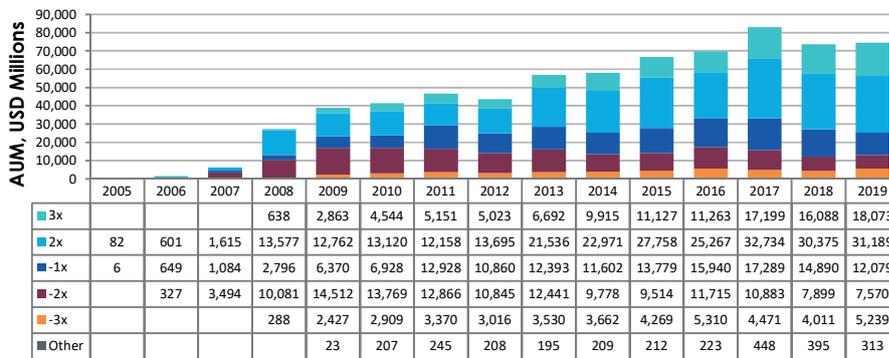
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Global Growth of S&L ETFs/ETPs

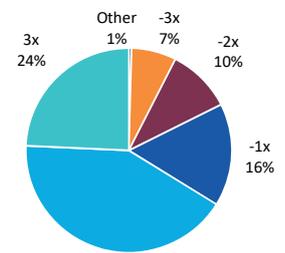
AUM and Number of Products



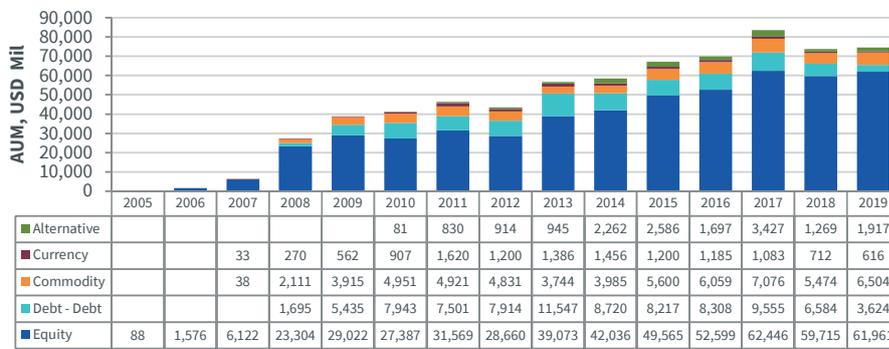
AUM by Leverage Factor



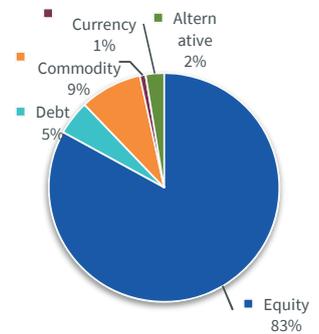
As of 30th August 2019



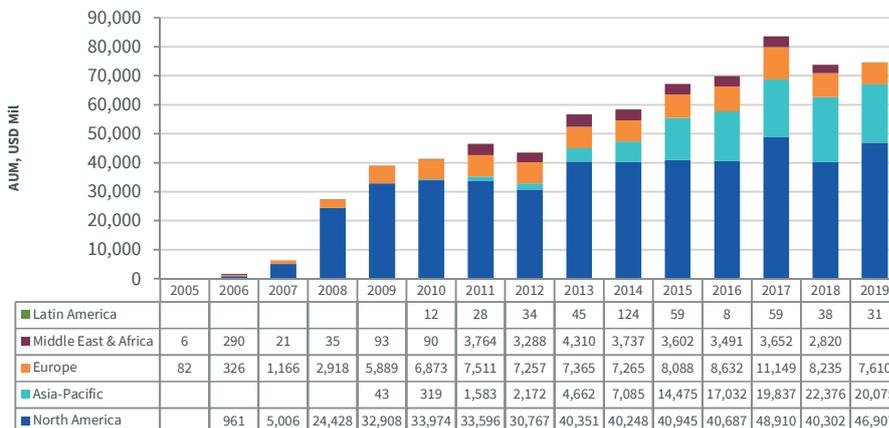
AUM by Asset Class



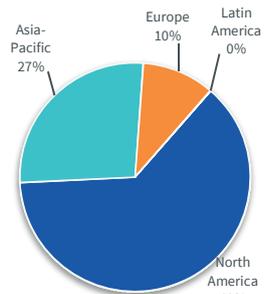
As of 30th August 2019



AUM by Domicile Region



As of 30th August 2019

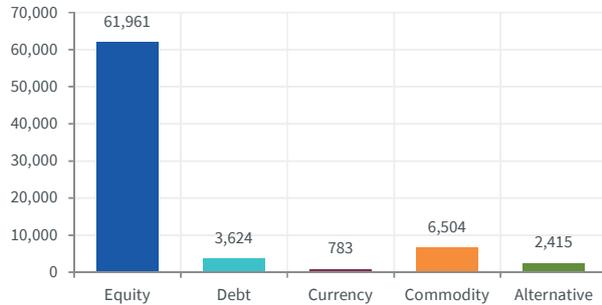


Global Asset Allocation

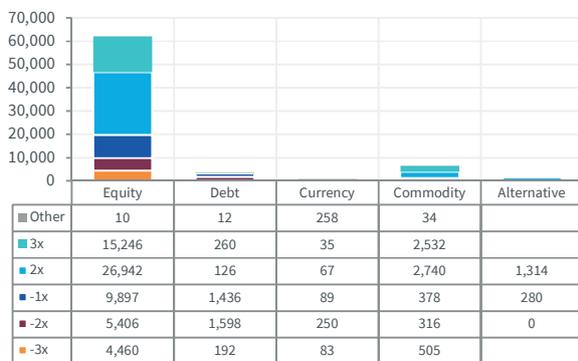
Current Allocations

As of 30th August 2019; Figures in USD Mil.

AUM

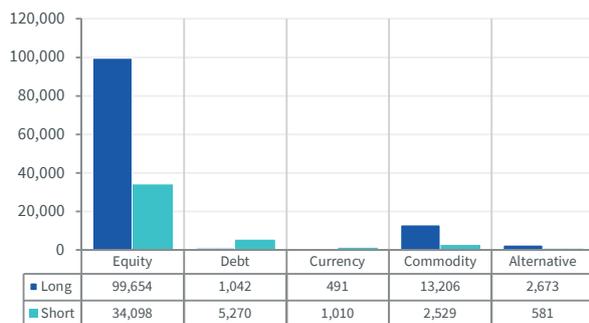


AUM by Leverage Factor



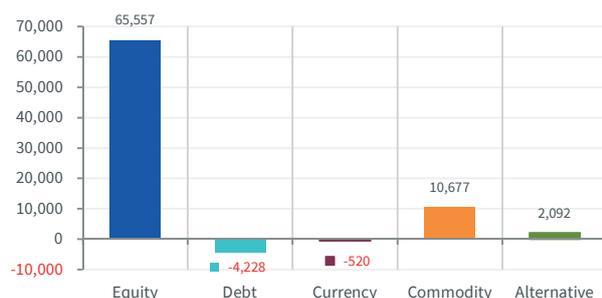
Notional AUM by Long / Short ETPs

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

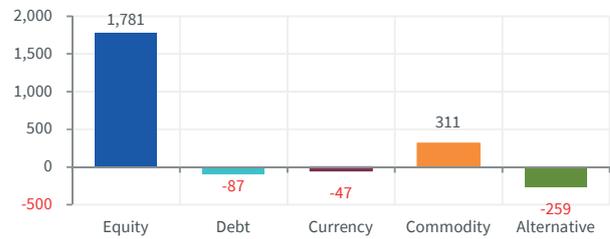
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



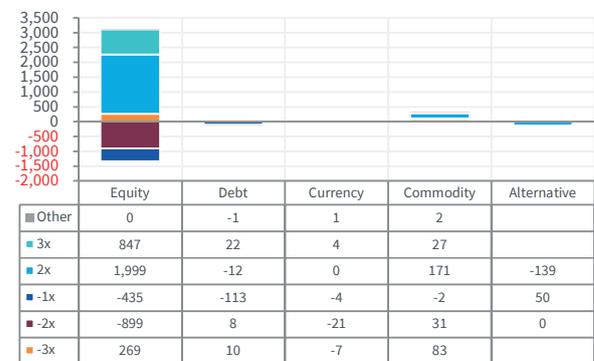
August 2019 Flows

Over August 2019; Figures in USD Mil.

Asset Flows

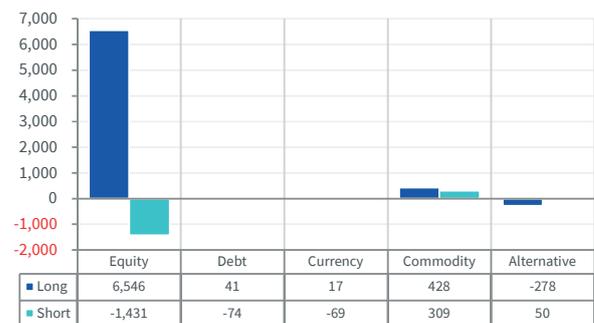


Asset Flows by Leverage Factor



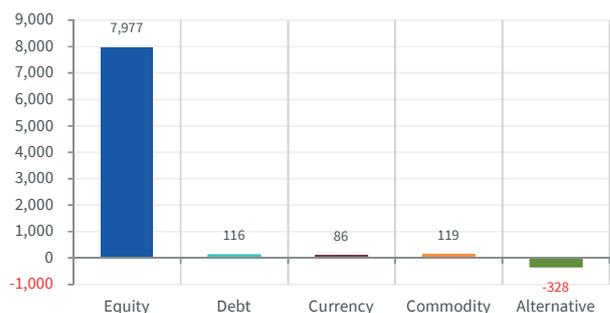
Notional Flows by Long / Short ETPs

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



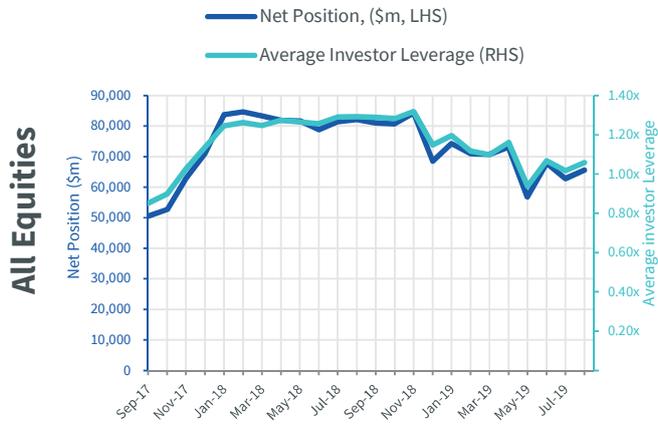
Net Position Flows

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

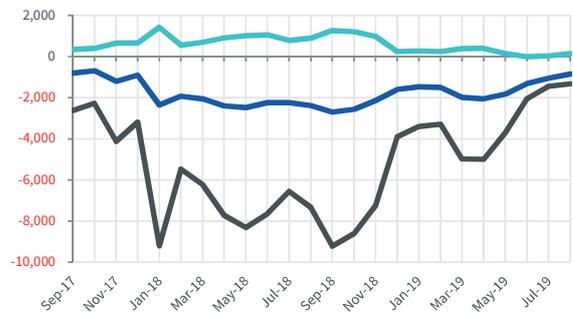
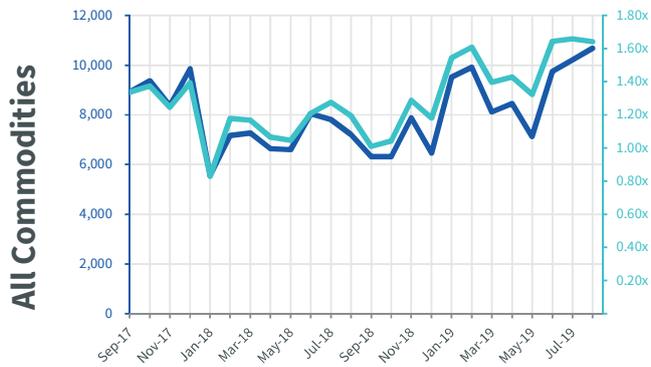
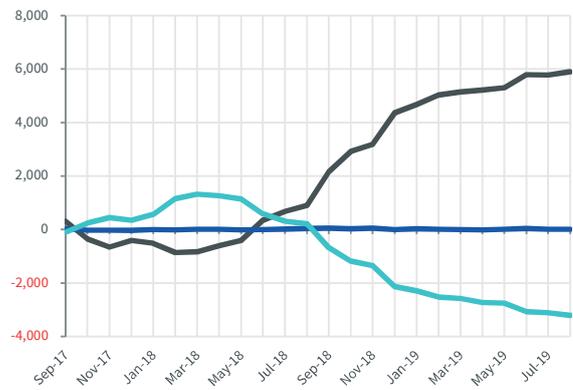
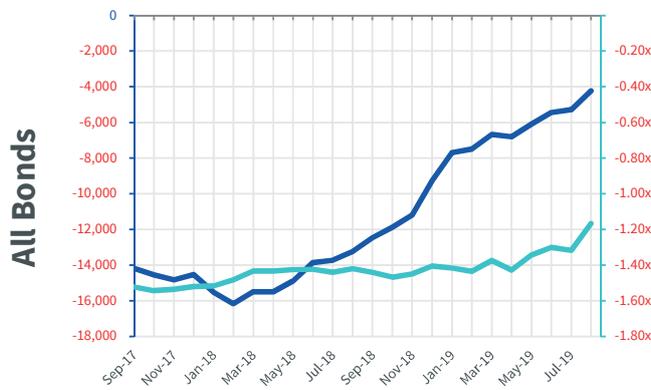
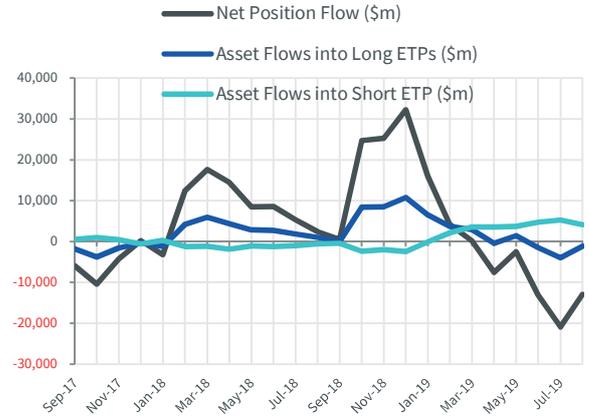


Global Asset Allocation - Historical View

Net Position and Average Investor Leverage



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



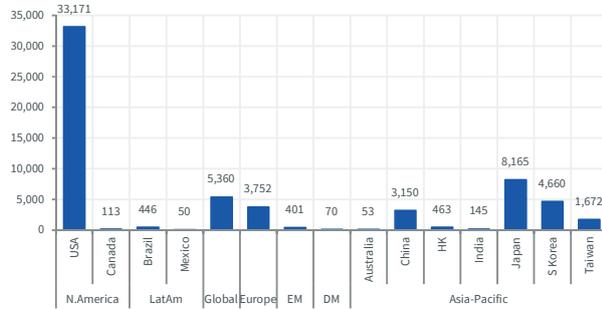
Short & Leveraged Equities

Global Equities

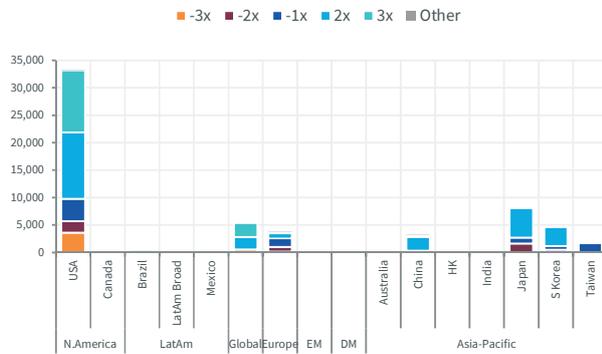
Current Allocations

By Geographic Exposure; As of 30th August 2019; Figures in USD Mil.
 "Europe" represents the sum total of ETPs exposed to Europe or European countries.

AUM

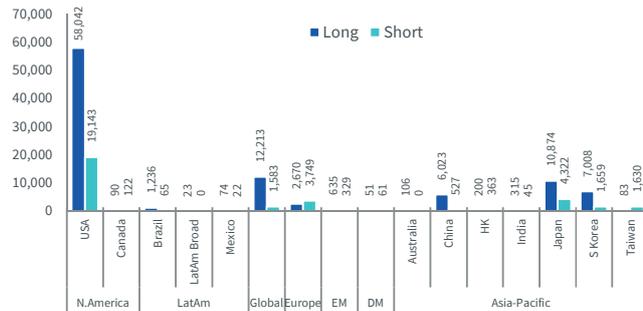


AUM by Leverage Factor



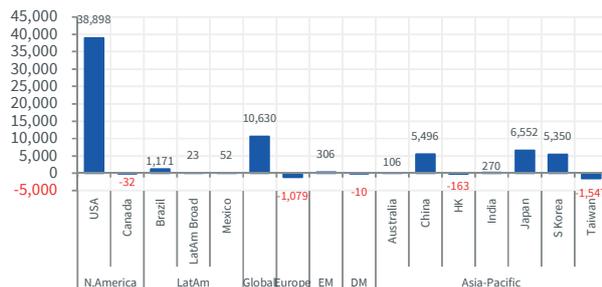
Notional AUM by Long / Short ETPs

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

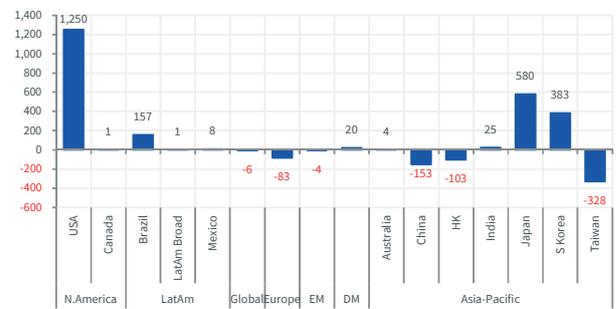
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



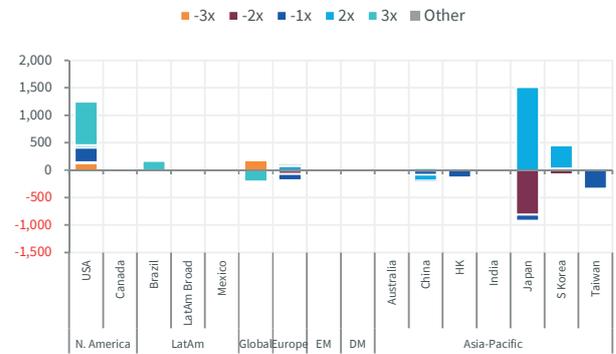
August 2019 Flows

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

Asset Flows

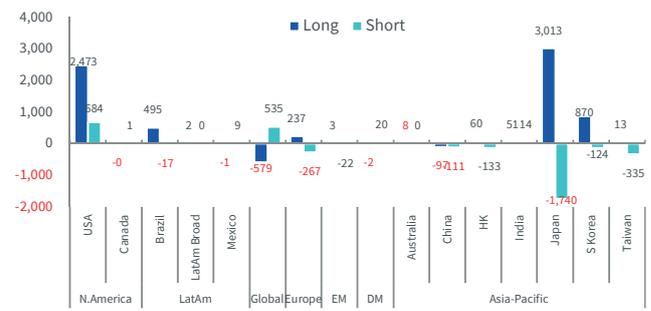


Asset Flows by Leverage Factor



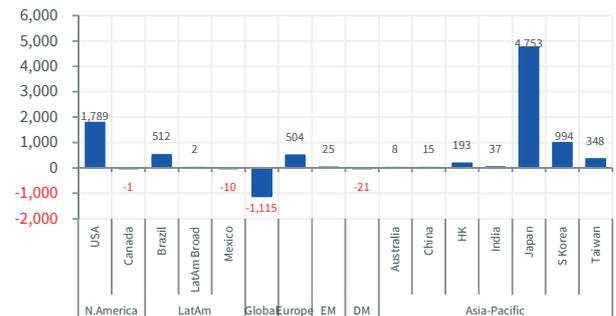
Notional Flows by Long / Short ETPs

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



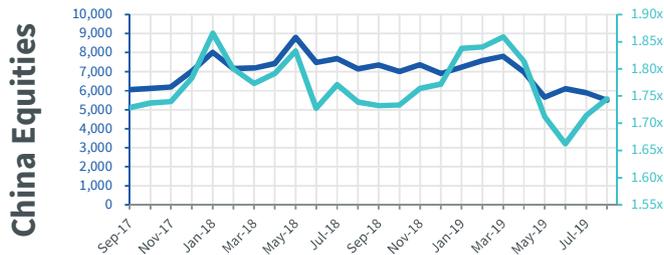
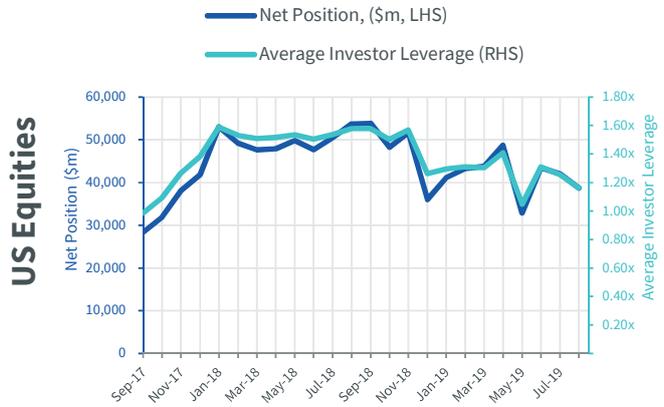
Net Position Flows

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

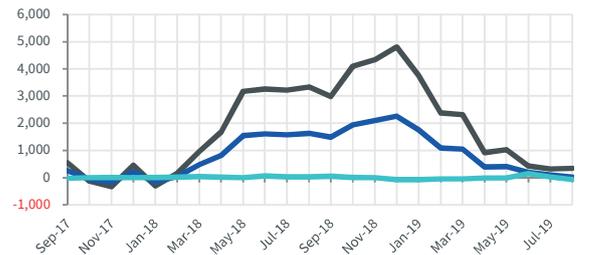
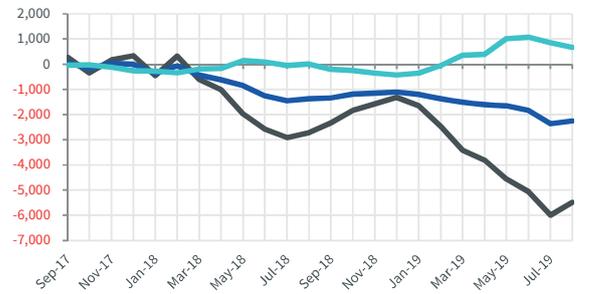
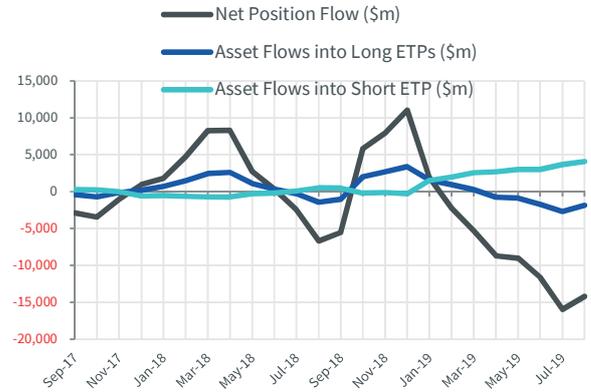


Global Equities - Historical View

Net Position and Average Investor Leverage



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

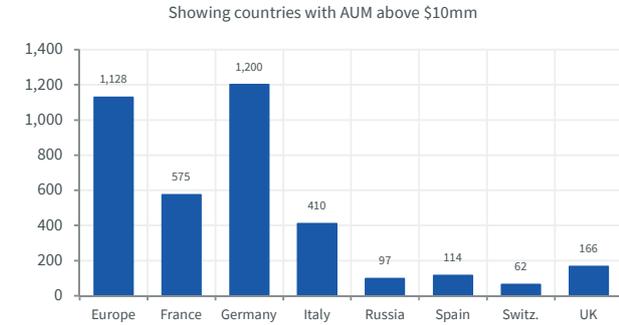


European Equities Breakdown

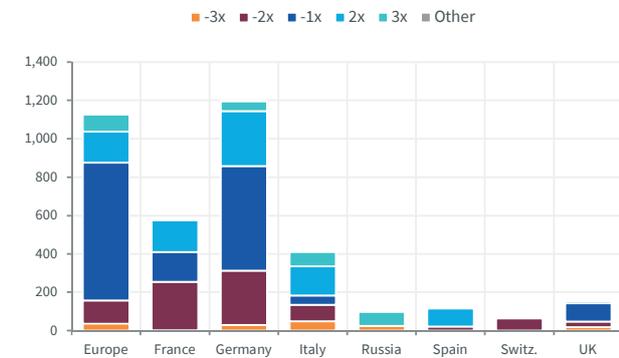
Current Allocations

By Geographic Exposure; As of 30th August 2019; Figures in USD Mil.
 "Europe" represents ETPs exposed to Europe as a region.

AUM

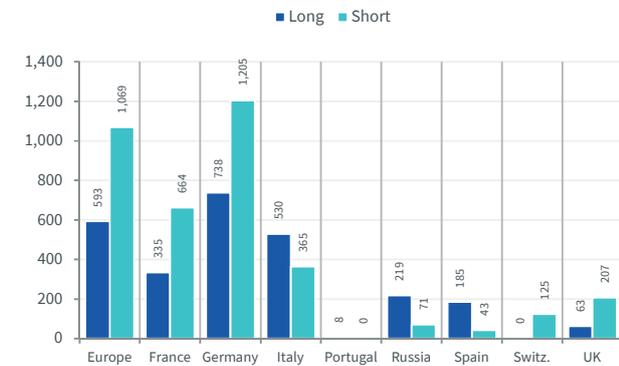


AUM by Leverage Factor



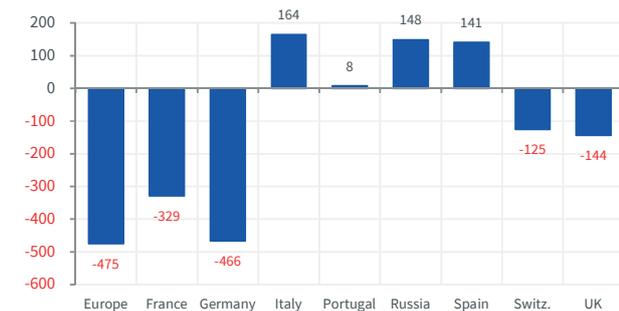
Notional AUM by Long / Short ETPs

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

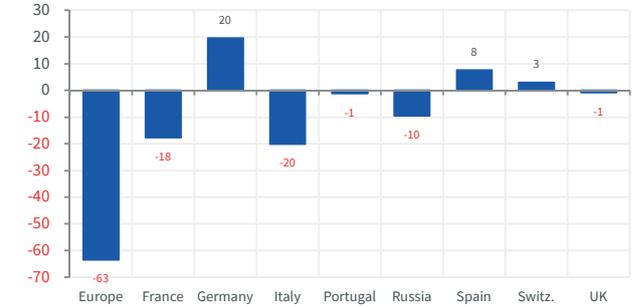
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



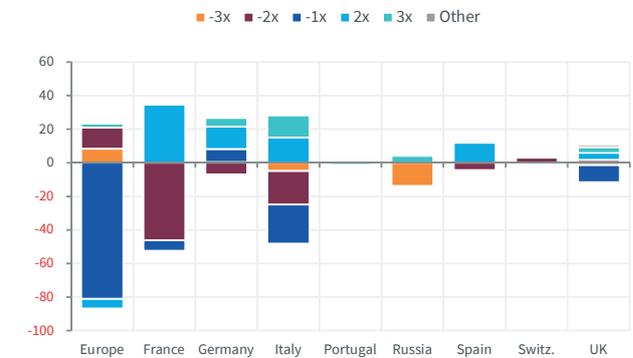
August 2019 Flows

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

Asset Flows

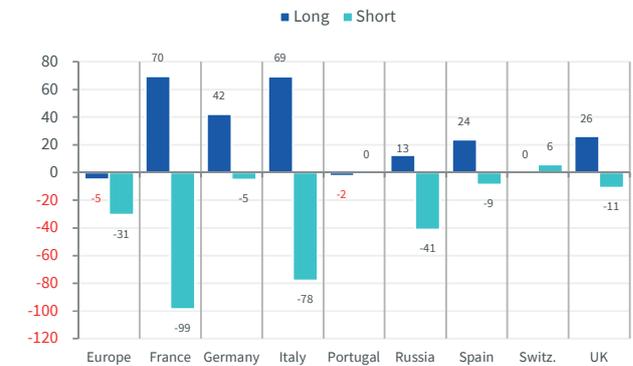


Asset Flows by Leverage Factor



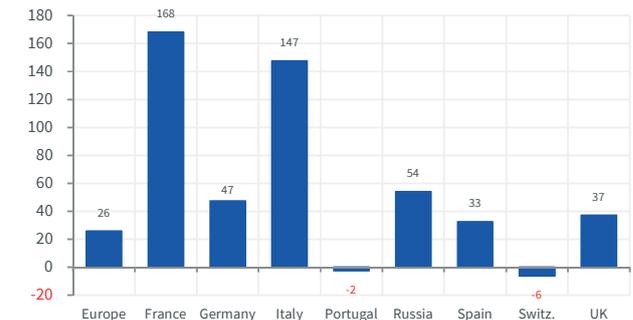
Notional Flows by Long / Short ETPs

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



Europe Equities - Historical View

Net Position and Average Investor Leverage



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



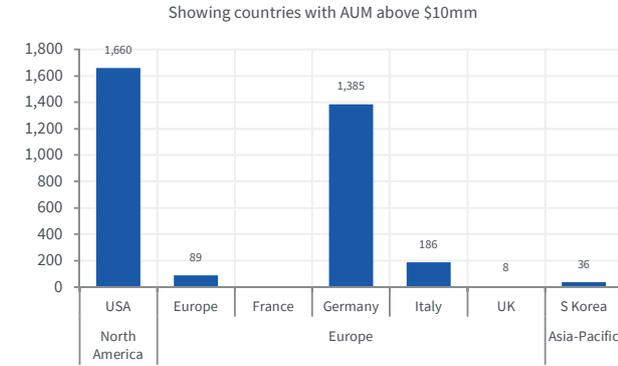
Short & Leveraged Government Debt

Global Debt

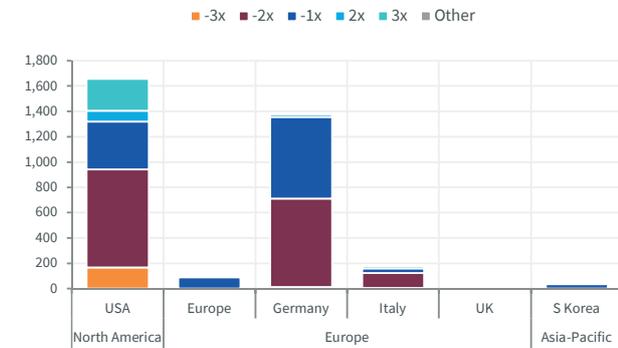
Current Allocations

By Geographic Exposure; As of 30th August 2019; Figures in USD Mil.

AUM

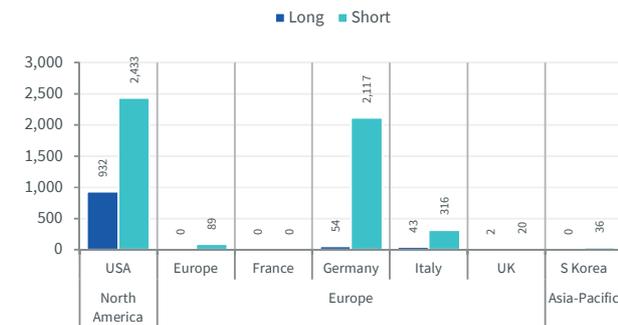


AUM by Leverage Factor



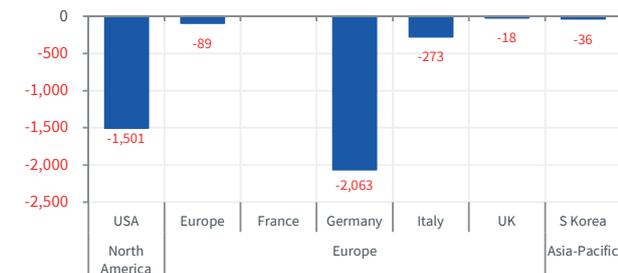
Notional AUM by Long / Short ETPs

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Net Position

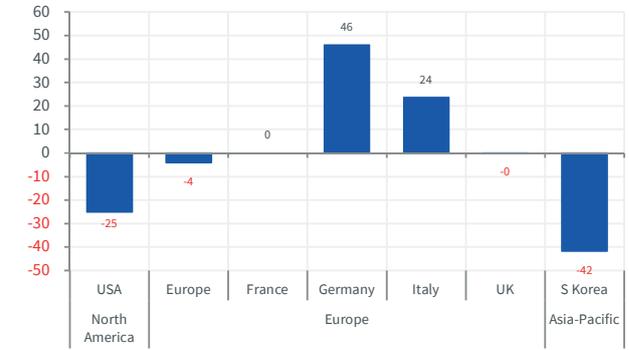
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



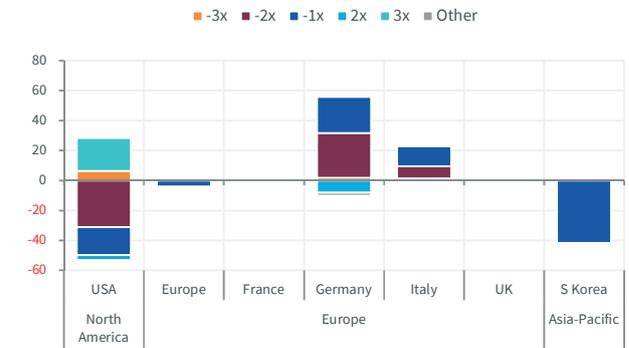
August 2019 Flows

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

Asset Flows

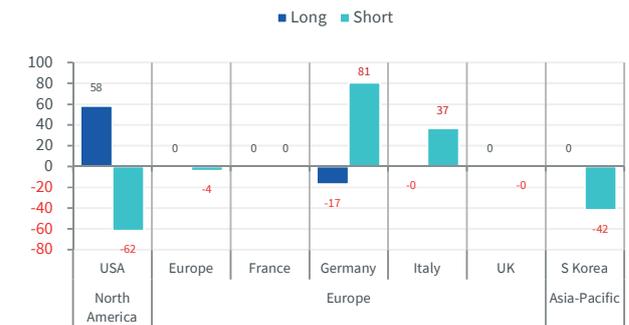


Asset Flows by Leverage Factor



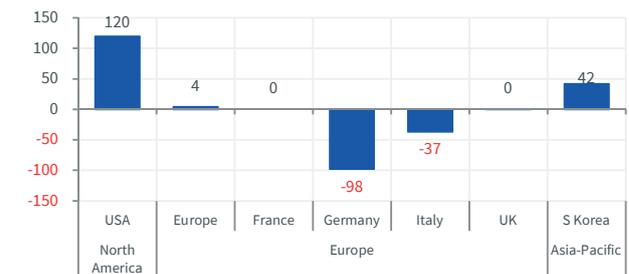
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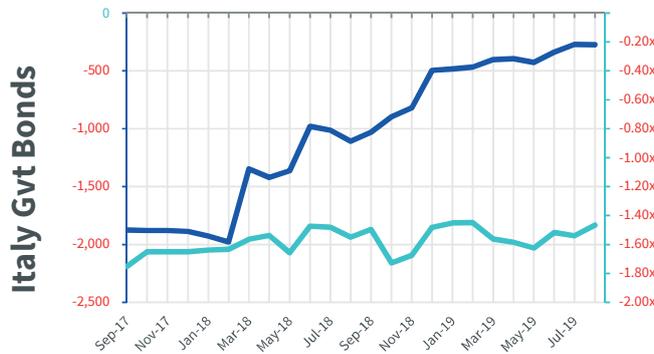
Net Position Flows

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

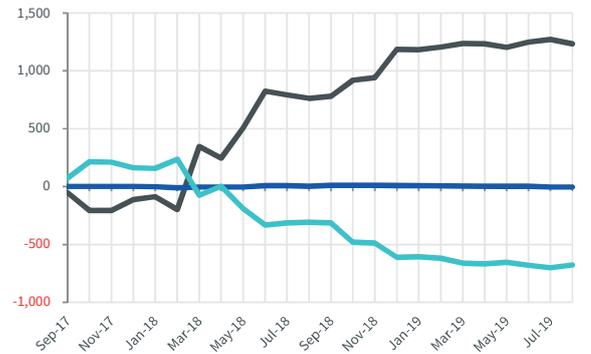
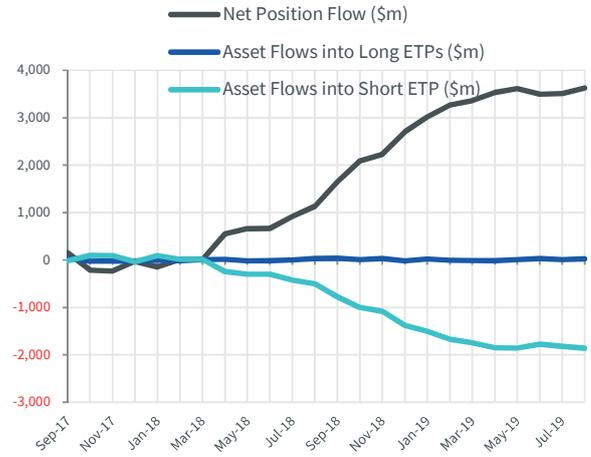


Global Debt - Historical View

Net Position and Average Investor Leverage



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



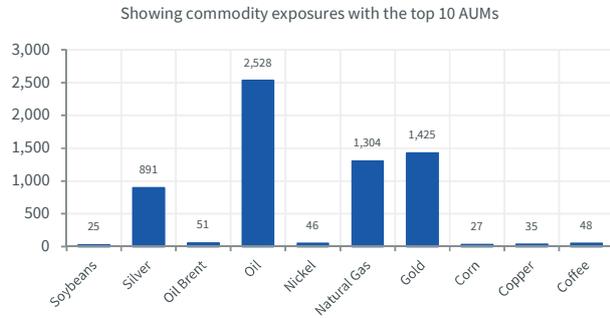
Short & Leveraged Commodities

Global Commodities

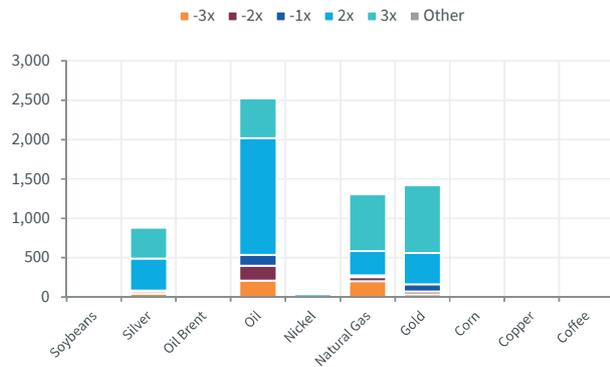
Current Allocations

By commodity exposure; As of 30th August 2019; Figures in USD Mil;
Showing the top 10 AUM commodity exposures

AUM

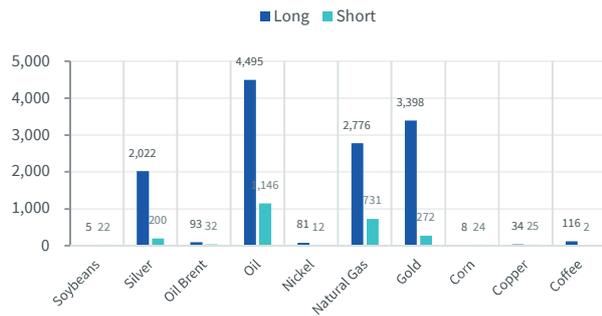


AUM by Leverage Factor



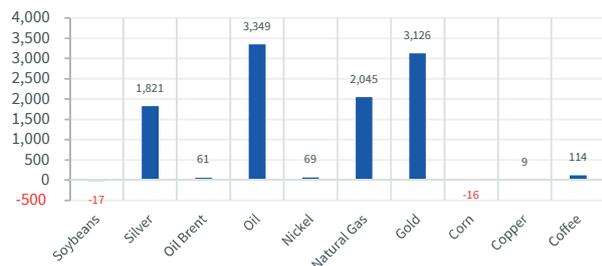
Notional AUM by Long / Short ETPs

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Net Position

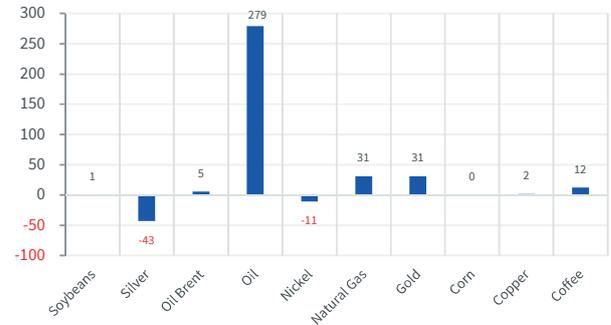
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



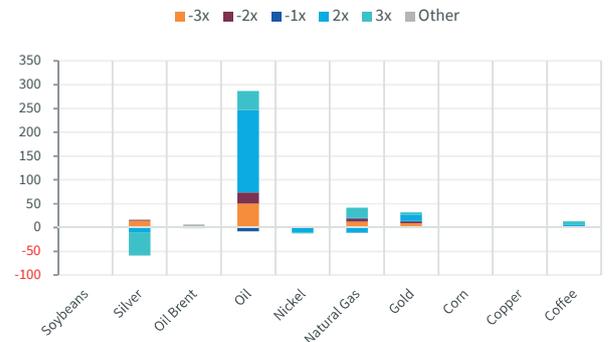
August 2019 Flows

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

Asset Flows

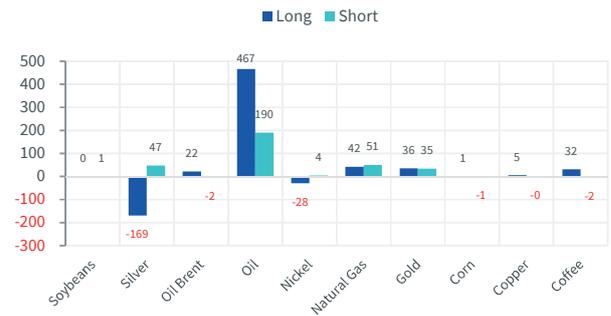


Asset Flows by Leverage Factor



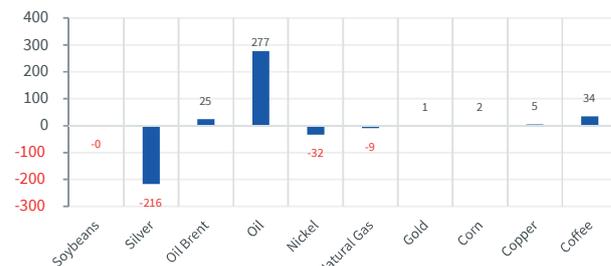
Notional Flows by Long / Short ETPs

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



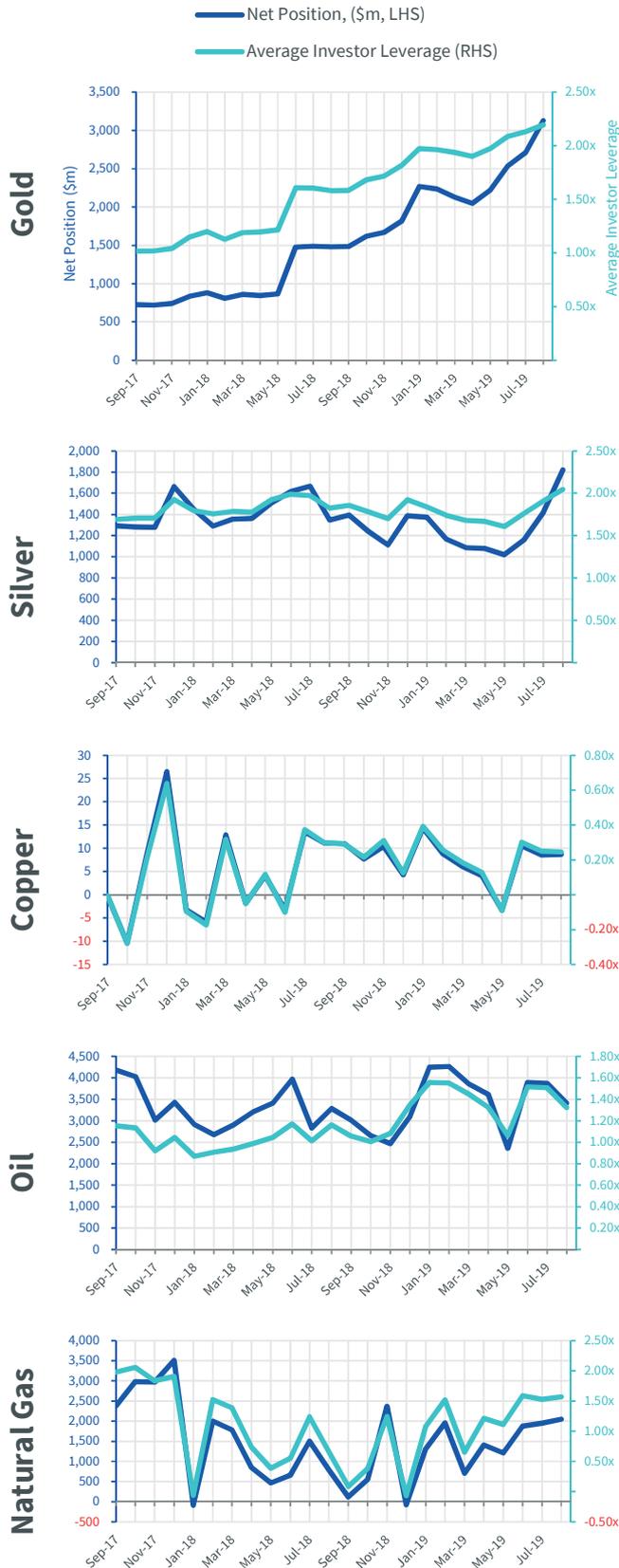
Net Position Flows

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

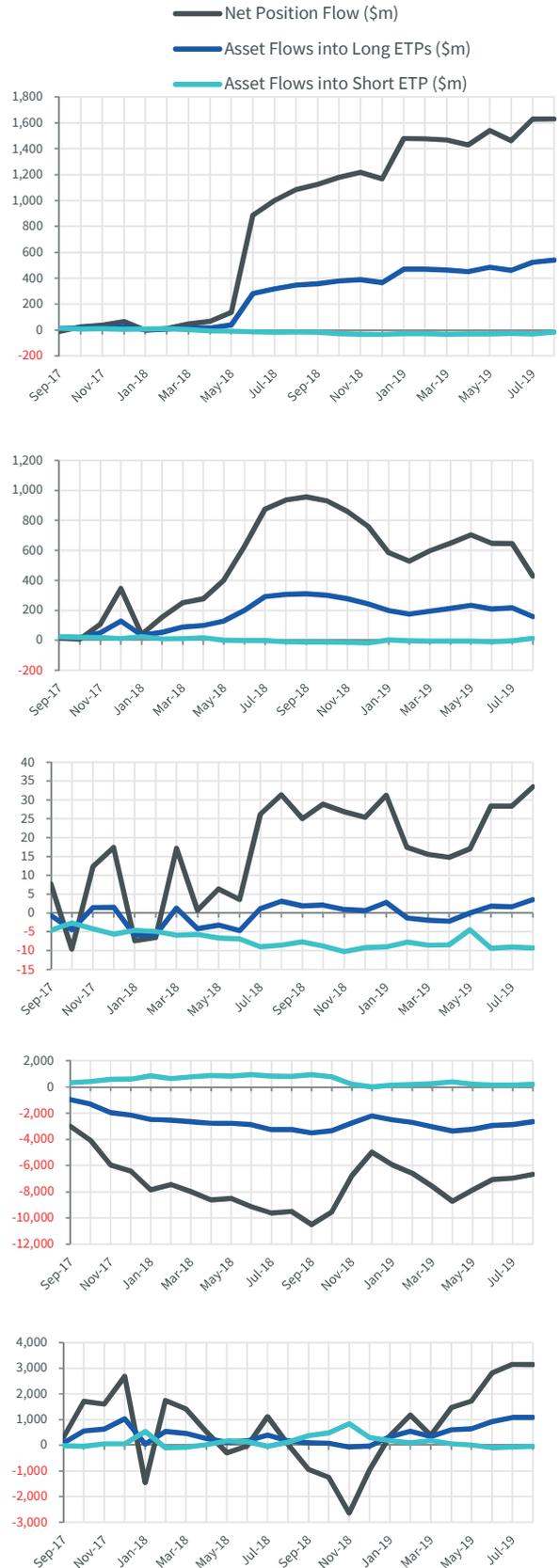


Global Commodities - Historical View

Net Position and Average Investor Leverage



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



Short & Leveraged Currencies

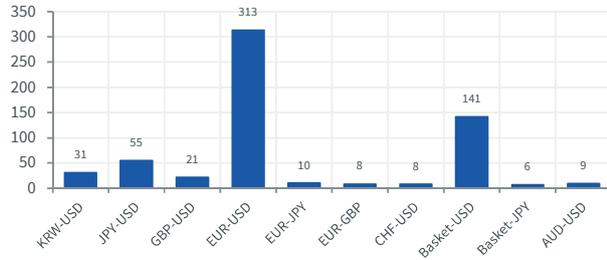
Global Currencies

Current Allocations

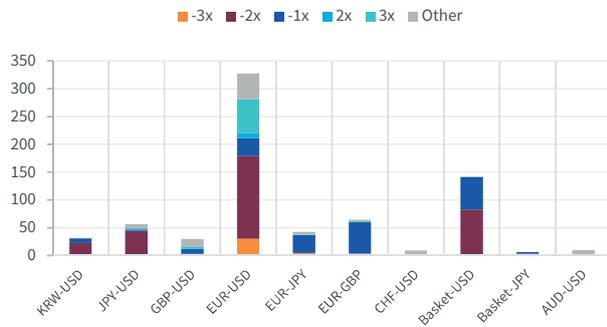
By currency exposure; As of 30th August 2019; Figures in USD Mil;
Showing the top 10 AUM currency exposures

AUM

Showing currency exposures with the top 10 AUMs

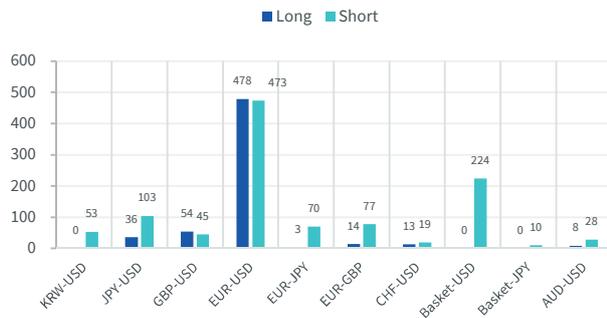


AUM by Leverage Factor



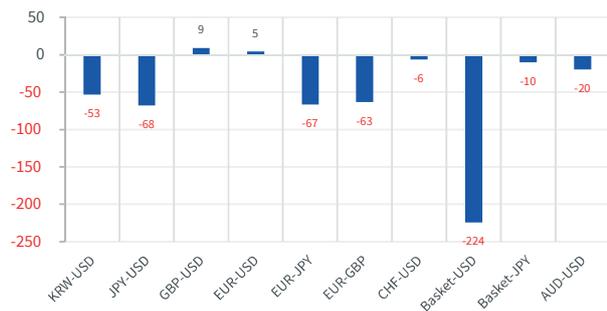
Notional AUM by Long / Short ETPs

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

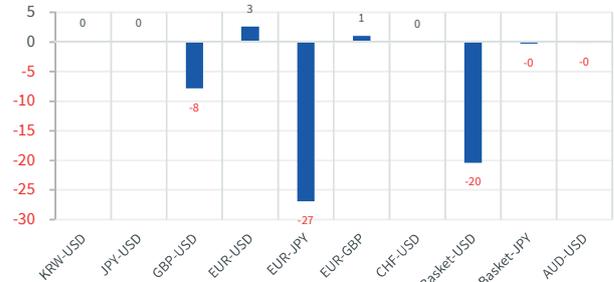
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



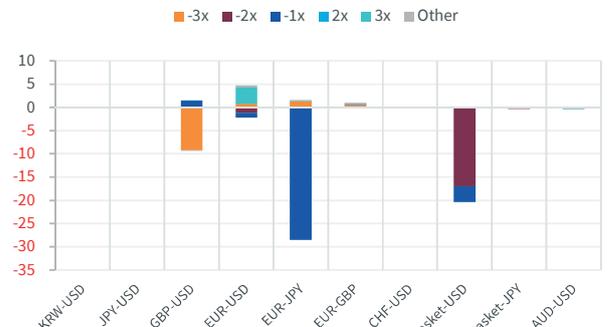
August 2019 Flows

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

Asset Flows



Asset Flows by Leverage Factor



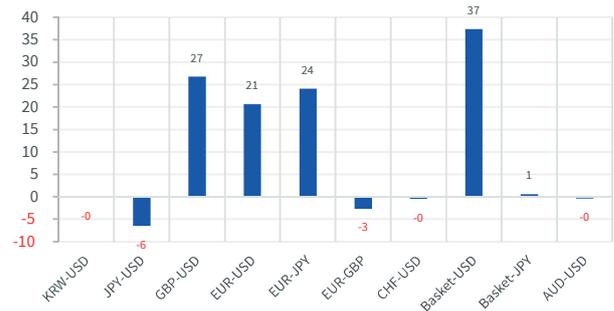
Notional Flows by Long / Short ETPs

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



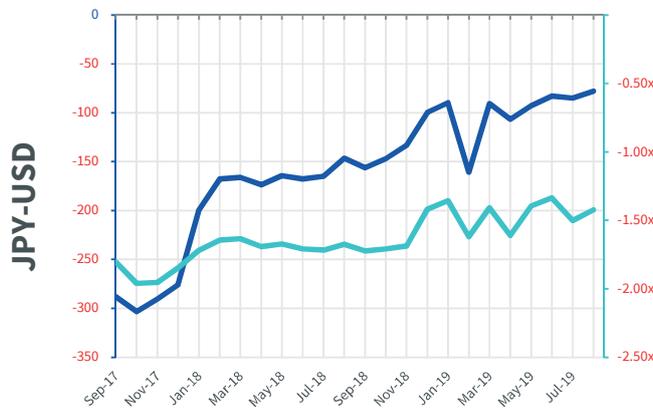
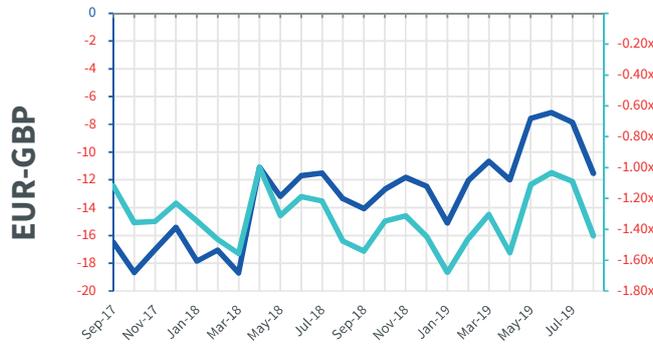
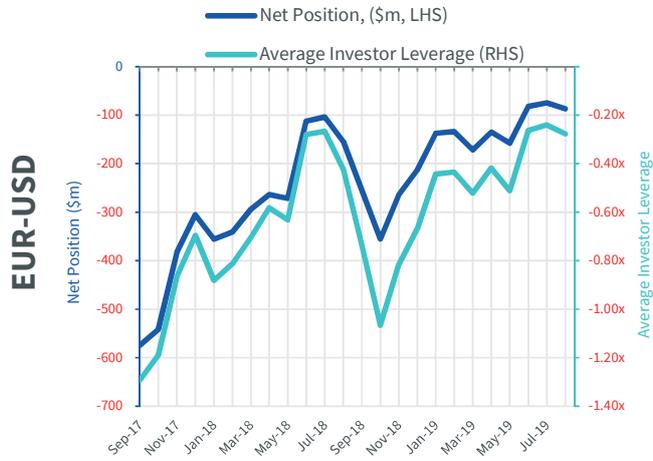
Net Position Flows

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

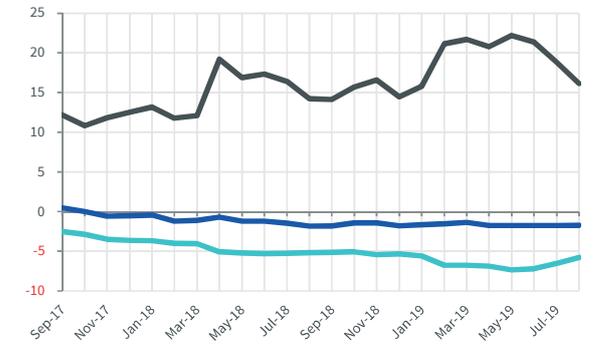
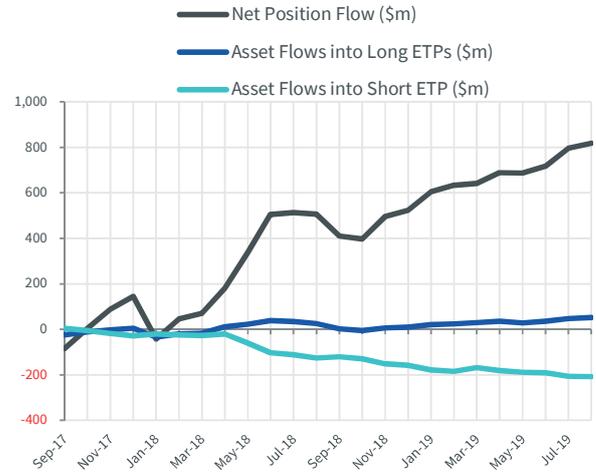


Global Currencies - Historical View

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 30 August 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.