

WisdomTree Research

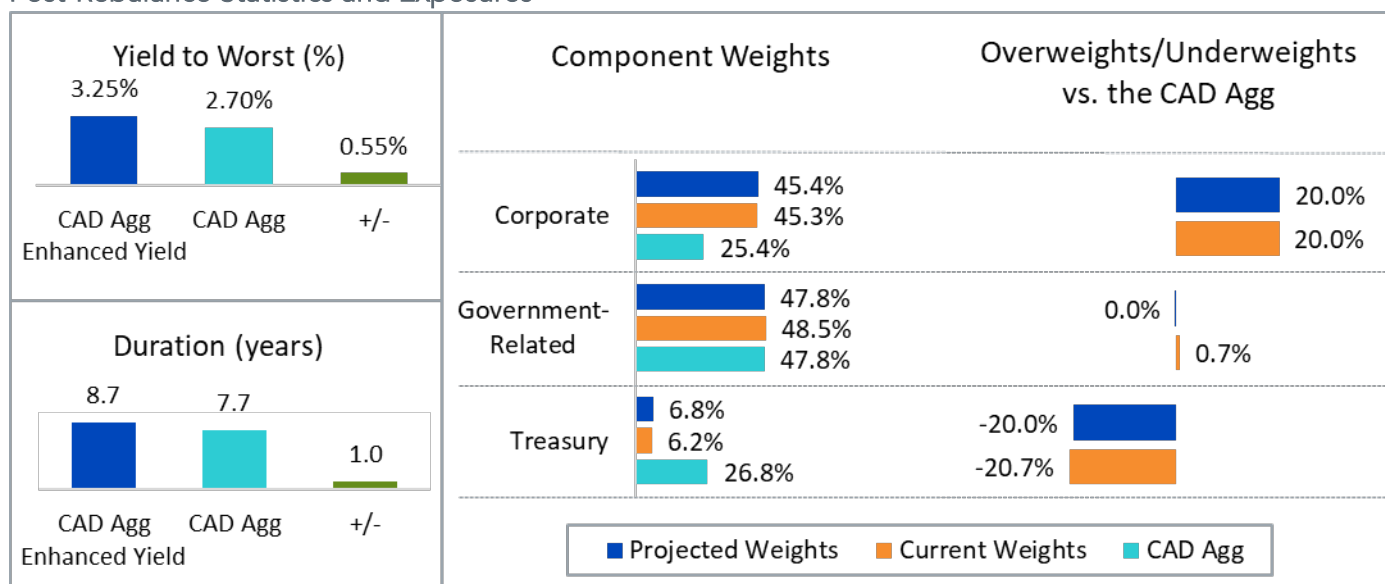
Bloomberg Barclays Canadian Aggregate Enhanced Yield Index Rebalance [Dec 2018]

The Bloomberg Barclays Canadian Aggregate Enhanced Yield Index ("CAD Agg Enhanced Yield") is designed to achieve a higher yield than the Bloomberg Barclays Canadian Aggregate Index ("CAD Agg") while broadly retaining similar risk characteristics. The weights of the components in the CAD Agg Enhanced Yield are rebalanced monthly. The new index projected weights took into effect after the close on December 31, 2018.

KEY REBALANCE HIGHLIGHTS

- The CAD Agg Enhanced Yield is yielding 55 bps more than the CAD Agg (3.25% vs. 2.70%) with an additional year of duration (8.7 vs. 7.7 years) after rebalancing.
- Relative to last month, the CAD Agg Enhanced Yield ...
 - increased exposure to long term Corporates rated A & Above by 0.7% (10+ years).
 - decreased exposure to intermediate Corporate credit rated A & Above by 0.8% (5-10 years).
- The CAD Agg Enhanced Yield's largest overweight to the CAD Agg is in Corporates (+20%) and its largest underweights is in Treasuries (-20%).
- The Index maintains a neutral position to Government-Related bonds.

Post-Rebalance Statistics and Exposures



Sources: Bloomberg, as of 12/31/2018.

The CAD Agg Enhanced Yield's largest increase to exposure was to Corporates rated A & Above with 10+ years to maturity (+0.7%). The largest reduction in exposure was a 0.8% decrease to intermediate Corporates rated A & Above.

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Major Changes in Exposures, After Rebalance

| Increases in Exposures | |
|-------------------------|------|
| Corporate A & Above 10+ | 0.7% |
| Treasury 1-5 | 0.6% |
| Gov-Related 5-10 | 0.2% |

| Reductions in Exposures | |
|--------------------------|-------|
| Corporate A & Above 5-10 | -0.8% |
| Gov-Related 1-5 | -0.7% |
| Gov-Related 10+ | -0.2% |

| Largest Overweights | |
|--------------------------|-------|
| Corporate Baa 10+ | 10.0% |
| Corporate Baa 5-10 | 10.0% |
| Gov-Related 5-10 | 9.9% |
| Corporate A & Above 5-10 | 7.1% |
| Corporate A & Above 10+ | 1.9% |

| Largest Underweights | |
|-------------------------|--------|
| Gov-Related 1-5 | -10.0% |
| Corporate A & Above 1-5 | -9.0% |
| Treasury 1-5 | -8.2% |
| Treasury 10+ | -7.1% |
| Treasury 5-10 | -4.7% |

Individual Bucket Weights, Before and After Rebalance

| Individual Buckets | Projected Weights | Current Weights | +/- vs Current | CAD Agg | +/- vs CAD Agg |
|--------------------------|-------------------|-----------------|----------------|---------|----------------|
| Treasury 1-5 | 6.8% | 6.2% | 0.6% | 15.0% | -8.2% |
| Treasury 5-10 | 0.0% | 0.0% | 0.0% | 4.7% | -4.7% |
| Treasury 10+ | 0.0% | 0.0% | 0.0% | 7.1% | -7.1% |
| Gov-Related 1-5 | 5.5% | 6.3% | -0.7% | 15.6% | -10.0% |
| Gov-Related 5-10 | 21.5% | 21.3% | 0.2% | 11.6% | 9.9% |
| Gov-Related 10+ | 20.7% | 21.0% | -0.2% | 20.7% | 0.1% |
| Corporate A & Above 1-5 | 0.0% | 0.0% | 0.0% | 9.0% | -9.0% |
| Corporate Baa 1-5 | 4.5% | 4.5% | 0.1% | 4.6% | 0.0% |
| Corporate A & Above 5-10 | 10.0% | 10.8% | -0.8% | 2.8% | 7.1% |
| Corporate Baa 5-10 | 12.7% | 12.6% | 0.1% | 2.7% | 10.0% |
| Corporate A & Above 10+ | 5.8% | 5.2% | 0.7% | 3.9% | 1.9% |
| Corporate Baa 10+ | 12.3% | 12.2% | 0.1% | 2.3% | 10.0% |

Sources: Bloomberg, as of 12/31/2018.

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Glossary:

Yield to Worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting. When a bond is callable, the yield to worst is the lower yield of yield to maturity and yield to call.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates. Effective duration is a calculation used to approximate the actual, modified duration of a callable bond. It takes into account that future interest rate changes will affect the expected cash flows for a callable bond.

Credit Quality is the underlying credit worthiness of a bond, reflecting its risk of default. Credit quality is typically represented by the credit ratings of a bond that are assigned by rating agencies such as Moody's or Standard & Poor's.

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Bloomberg Barclays Canadian Aggregate Index: a broad-based benchmark that measures the investment grade, Canadian dollar denominated, and fixed rate bond market. The index includes treasuries, government-related, corporate issues from developed and emerging markets issuers. Bloomberg Barclays Canadian Aggregate Enhanced Yield Index: a constrained, rules-based approach that reweights the sector, maturity and credit quality of the Bloomberg Barclays Canadian Aggregate Index across various subcomponents in order to enhance yield.

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