WISDOMTREE®

# Interim Management Report of Fund Performance

For the six-month period ended June 30, 2019

**ONE Global Equity ETF** (ONEQ)

This interim management report of fund performance contains financial highlights, but does not contain the complete interim or annual financial statements of the ETF. You can obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-866-893-TREE (8733), by writing to us at 161 Bay Street, 27th floor, Toronto, ON M5J 2S1 or by visiting our website at www.wisdomtree.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# ONE Global Equity ETF

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For the six-month period ended June 30, 2019

## MANAGEMENT REPORT OF FUND PERFORMANCE

WisdomTree Asset Management Canada, Inc. ("WisdomTree") is pleased to provide you with the Interim Management Report of Fund Performance ("MRFP") for the ONE Global Equity ETF (the "ETF") for the period ended June 30, 2019. The ETF trades on the Toronto Stock Exchange (the "TSX") under the ticker symbol ONEQ. WisdomTree is the trustee and manager (the "Manager") of the ETF and One Capital Management (the "Investment Advisor") is the investment advisor to the ETF.

### Investment Objectives and Strategies

The investment objective of the ETF is to seek long-term growth of capital by investing in a portfolio of equity securities of global issuers, through direct purchases of publicly traded companies and/or exchange traded funds that represent an equity asset class. The ETF seeks geographic diversification in Canada, U.S., developed markets in Europe and Asia, and developing markets. The ETF is diversified by market capitalization from large cap companies to micro-cap companies around the world. The ETF tends to include exposure to publicly traded real estate investment trusts (''REITs'').

The investment advisor seeks diversification by equity asset class, industry sector and geographic region, and relies on its in-depth fundamental research, view of market trends, analysis of a company's competitive position, and review of the expected return of an asset class or company relative to the expected risk of any alternative equity asset class, industry sector or company's risk and general market conditions. The investment advisor also directs the currency hedging strategy for the ETF.

### Risk

No material changes were made which affected the overall level of risk associated with an investment in the ETF for the period ended June 30, 2019. The overall level of risk associated with an investment in the ETF remains as disclosed in the most recent prospectus.

### Results of Operations

For the 6-months ended June 30, 2019, the ETF returned 13.49% versus the benchmark 70/30 S&P Global 1200 Index CAD/S&P TSX Composite Index CAD return of 13.24%. ONEQ has approximately 80% Canadian dollar exposure and 20% U.S. dollar exposure. The Canadian dollar relative to the U.S. dollar for the same period strengthened by 3.9%.

### Market Outlook

There is a lot of talk about the U.S. Federal Reserve these days and what exactly they are planning on doing over the next few months. Will they cut interest rates? Will they raise interest rates? Will they just leave them alone? And why does it matter?

The U.S. created the Federal Reserve with specific goals in mind. The three main objectives of this central bank are to maximize employment, stabilize prices, and moderate long term interest rates. Almost every country has a central bank with similar goals. The Canadian central bank, The Bank of Canada, for example has its stated goals of low, stable and predictable inflation; a safe currency; a stable and efficient financial system in Canada and internationally; and effective and efficient funds-management services for the Government of Canada.

Central banks try to achieve their goals by setting short term interest rates. In the U.S., this is the Fed Funds Rate, currently standing at 2.5%. This is the rate the Federal Reserve pays banks that deposit money with them to help meet their required minimum capital. It also allows banks to borrow or lend from one another to meet short term cash needs. This rate also helps banks set their "prime" rate, the rate the most favoured borrowers pay for their loans.

Why the short reminder of how central banks set monetary policy in their respective countries? Well there has been a lot of talk about what these central banks will do next, particularly the U.S. Federal Reserve. The U.S. is the world's largest economy and has been the strongest over the last few years. Since December of 2015 (the Fed Fund rate sat at 0.25%) the U.S. Federal Reserve has raised rates nine times, the last in December of 2018, taking this short-term lending rate to 2.5%. Many argued back in December that the Fed didn't need this last rate hike and could actually be pushing rates too high, thus hurting the overall economy by causing higher borrowing cost just at the time the economy was stagnating. Well, the economy continued moving forward, the complaining hasn't stopped, but now for a myriad of different reasons, but all leading to the same conclusion, the economy is slowing and may tip into a recession.

Recession. That's a word that brings back bad memories of 2008/2009. The current narrative goes something like this; the global trade uncertainty (war) between China and the U.S. is hurting global trade causing a slowdown at all levels of business. Cost are going up (tariffs are taxes that get past on to the buyer), cost of raw materials increases with these higher prices, and consumers will balk at paying more. There are some signs of this in the global trade flows, less so between the U.S. and China, but with the other trading parties, especially between Europe and China and the Asian countries and China. It has also been observed that companies have slowed their future investments (equipment, technology, and expansion).

While a recession is always possible (it would be mild and short if it does occur), the underlying fundamentals and indicators don't lead us to the same conclusions. Many point to the inverted yield curves as an indicator of an impending recession. The wisdom is that lower rates between two years and ten years show that the markets expect the economy to slow so much that interest rates will have to be cut to stimulate in the future. In other words, things will be worse next year and beyond, rather than this year. While this may prove to be true, the absolute levels don't bear this out. The difference between the six-month rates (using U.S. Treasuries) is 2.1% versus 1.8% at five years, that's only 0.3% less. That shows expectations aren't that much different from what's happening today. In Canada, it's a little larger gap, (2.0% to 1.5% between six months and five years) at 0.5%. Again, not much is expected to change in the coming years.

A better indicator than just the yield curve on its own, is the spread between real interest rates (the interest rate minus inflation) and real GDP growth rates (nominal GDP minus inflation). With inflation hovering around 2% and interest rates (again using government bonds as proxy) also around 2% or lower, real interest rates are close to zero. Real GDP in the U.S. is at 3%, with expectations of slowing to around 1.5% to 2.0% for the rest of 2019 and into 2020. History has shown that when real interest rates are higher than real GDP growth, economies stale and recessions follow.

Two more factors that support this view are Federal Reserve Chairman Powell's testimony to Congress recently. Among the many comments and answers he gave during his testimony, one mostly missed answer stands out. When ask about Japan and Europe's woes and why they have struggled so much more than the U.S. and North America, his answer shows his understanding of and commitment not to make the same mistakes as others have in the past. The gist of what he said is that in trying to control inflation (one of the goals on central banks) they errored on keeping inflation too low at the cost of economic growth. Healthy inflation is a sign of a healthy growing economy and therefore stimulating the economy when slowdowns appear on the horizon, may push inflation higher, but if as part of a growing economy, that isn't to be feared but encouraged. Therefore, it is generally expected that the U.S. Federal Reserve will cut rates in the coming months. Not because of recession fears, but to push the economy along the path of growth, inflation included.

The other key piece to this view that recession is not on the horizon is employment. With the record low unemployment in the U.S. and Canada, people are working, getting paid, and have money to spend. Wages are growing around 3.1% annually in the U.S. and around 3.6% in Canada according to June's data. When workers are employed, and wages are growing, it goes to reason that spending increases follow. This also adds an additional layer against the negative effects of the trade turmoil swirling around the globe. Even if prices are pushed up some with all the tariff nonsense, consumers are better equipped to weather the storm of higher prices. Using the U.S. as the example, remember tariffs on $200 billion of goods in a $15 trillion economy, less than 2% of the total economy is affected (less than 4%, if all goods from China are subject to tariffs).

Whatever the U.S. Federal Reserve and other central banks do in the near future, the ETF's investment advisor maintains their view that the economy will roll forward, companies will do their best to make products people want to buy, consumers will spend, and life moves forward. Trying to predict the short term is almost impossible, looking to the future and what it brings is easier, and their view is the future still looks bright!

## RECENT DEVELOPMENTS

There have not been any material changes to the management of the ETF. In 2018, WisdomTree published the investment risk level for each WisdomTree ETF, in accordance with the investment risk classification methodology prescribed by National Instrument 81-102 — *Investment Funds*. The ETF's investment risk level may be found in the prospectus and ETF Facts.

As required by National Instrument 81-107 — *Independent Review Committee for Investment Funds* ("NI 81-107"), WisdomTree has established an independent review committee (the "IRC") for ONEQ to review all conflict of interest matters identified and referred to the IRC by WisdomTree and to give its approval or recommendation, depending on the nature of the conflict of interest matters. The current members of the IRC are as follows:

| Name | Municipality of Residence |
|---|---|
| Leslie Wood | Pickering, Ontario |
| W. William Woods | Toronto, Ontario |
| Anthony Cox[1] | Toronto, Ontario |

[1] Chair of the IRC

## RELATED PARTY TRANSACTIONS

WisdomTree is the trustee and manager of the ETF and is responsible for the administration of the ETF. The ETF pays the Manager a management fee (see “Management Fees” below).

### Management Fees

The ETF pays WisdomTree a management fee as set forth in the table below based on the average daily net asset value of the ETF. The management fee, plus applicable taxes, is accrued daily and paid monthly in arrears. WisdomTree may, from time to time in its discretion, waive all or a portion of the management fee charged at any given time.

| | Management Fee Rate |
|---|---|
| ONE Global Equity ETF | 0.85% |

## FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the ETF and is intended to help you understand its financial performance for the periods indicated.

| | For the Six Months Ended June 30, 2019 (unaudited) | For the Year Ended December 31, 2018 | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 | For the Period September 21, 2015* through December 31, 2015 |
|---|---|---|---|---|---|
| **NET ASSETS PER UNIT[1,2]** | | | | | |
| Net assets, beginning of period | $ 22.40 | $ 25.27 | $ 22.44 | $ 20.08 | $20.00 |
| Increase (decrease) from operations | | | | | |
| Total revenue | 0.41 | 0.55 | 0.57 | 0.51 | 0.22 |
| Total expenses | (0.13) | (0.27) | (0.29) | (0.24) | (0.07) |
| Realized gains (losses) for the period | 0.12 | 0.05 | 0.14 | 0.19 | (0.15) |
| Unrealized gains (losses) for the period | 2.61 | (2.80) | 3.01 | 3.92 | 0.08 |
| Total increase (decrease) from operations | 3.01 | (2.47) | 3.43 | 4.38 | 0.08 |
| Distributions | | | | | |
| From income (excluding dividends) | (0.17) | (0.04) | (0.11) | (0.15) | (0.16) |
| From dividends | – | (0.17) | (0.15) | (0.13) | (0.02) |
| From capital gains | – | – | (0.04) | (0.13) | – |
| Return of capital | – | (0.00)[3] | – | – | (0.08) |
| Total annual distributions[4] | (0.17) | (0.21) | (0.30) | (0.41) | (0.26) |
| Net assets at end of period | $ 25.25 | $ 22.40 | $ 25.27 | $ 22.44 | $20.08 |
| **RATIOS AND SUPPLEMENTAL DATA** | | | | | |
| Total net asset value (000's)[5] | $45,441 | $41,448 | $50,540 | $12,341 | $2,008 |
| Number of units outstanding (000's)[5] | 1,800 | 1,850 | 2,000 | 550 | 100 |
| Management expense ratio[6] | 0.92% | 0.92% | 1.03% | 1.03% | 1.02% |
| Management expense ratio before waivers or absorptions[6] | 1.13% | 1.17% | 1.28% | 1.89% | 7.98% |
| Trading expense ratio[7] | 0.00%[8] | 0.03% | 0.01% | 0.01% | 0.04% |
| Portfolio turnover rate[9] | 5% | 42% | 28% | 7% | 1% |
| Net asset value per unit | $ 25.25 | $ 22.40 | $ 25.27 | $ 22.44 | $20.08 |
| Closing market price | $ 25.20 | $ 22.29 | $ 25.25 | $ 22.50 | $20.20 |

* Commencement of operations.

1 This information is derived from the ETF's unaudited and audited financial statements.

2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

3 Amount represents less than $0.005.

4 Distributions were either paid in cash or reinvested in additional units of the ETF, or both. Reinvested units were consolidated.

5 This information is provided as at June 30 and December 31 of the years shown.

6 The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average daily net asset value during the period. MER includes the waiver or absorption of certain operating expenses by WisdomTree, while the MER before waivers or absorptions shows the MER prior to operating expenses being waived or absorbed by WisdomTree. The ETF invests in underlying ETFs. The MER of the ETF does not include expenses from the underlying ETFs.

7 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net assets during the period.

8 Amount represents less than 0.005%.

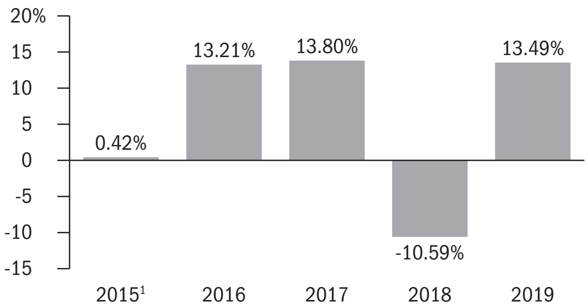
9 The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. The higher a portfolio's turnover rate in a period, the greater the trading costs payable by the ETF in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## PAST PERFORMANCE

The ETF's performance information shown assumes that all distributions made by the ETF in the periods shown were reinvested in additional units of the ETF. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. These returns do not indicate how each class of the ETF will perform in the future.

### Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown and for the six month period ended June 30, 2019. The chart shows in percentage terms how much an investment made on the first day of the period would have increased or decreased by the last day of the period.




[1] For the period September 21, 2015 (commencement of operations) through December 31, 2015.

# ONE Global Equity ETF

(concluded)

## SUMMARY OF INVESTMENT PORTFOLIO

### **Sector Breakdown**† as at 6/30/19

| Sector | % of Net Asset Value |
|---|---|
| Exchange-Traded Funds | 51.5% |
| Financials | 10.2% |
| Information Technology | 6.3% |
| Consumer Staples | 4.7% |
| Materials | 4.5% |
| Health Care | 4.1% |
| Energy | 4.1% |
| Communication Services | 4.0% |
| Consumer Discretionary | 3.8% |
| Industrials | 3.5% |
| Utilities | 1.7% |
| Other Assets less Liabilities‡ | 1.6% |
| **Total** | **100.0%** |

† The ETF's sector breakdown is expressed as a percentage of net asset value and may change over time. In addition, a sector may be comprised of several industries. It does not include derivatives (if any).

‡ Other assets include investment of cash collateral for securities on loan (if any).

### **Top 25 Holdings*** as at 6/30/19

| Description | % of Net Asset Value |
|---|---|
| WisdomTree International Quality Dividend Growth Index ETF-Hedged Units | 13.6% |
| iShares S&P/TSX Completion Index ETF | 6.6% |
| iShares MSCI EAFE Small-Cap ETF | 4.4% |
| iShares Micro-Cap ETF | 4.4% |
| WisdomTree U.S. Midcap Dividend Index ETF-Hedged Units | 4.2% |
| iShares Core MSCI Emerging Markets ETF | 4.0% |
| WisdomTree International MidCap Dividend Fund | 3.4% |
| iShares Russell 2000 Growth ETF | 3.4% |
| iShares Russell 2000 Value ETF | 3.2% |
| Royal Bank of Canada | 2.0% |
| Toronto-Dominion Bank (The) | 2.0% |
| Suncor Energy, Inc. | 1.8% |
| Loblaw Cos., Ltd. | 1.7% |
| Canadian National Railway Co. | 1.7% |
| Canadian Natural Resources Ltd. | 1.6% |
| Sun Life Financial, Inc. | 1.6% |
| Manulife Financial Corp. | 1.6% |
| WisdomTree India Earnings Fund | 1.5% |
| Alimentation Couche-Tard, Inc. | 1.4% |
| BCE, Inc. | 1.4% |
| iShares Cohen & Steers REIT ETF | 1.3% |
| Teck Resources Ltd. | 1.3% |
| Microsoft Corp. | 1.2% |
| CGI, Inc. | 1.1% |
| Apple, Inc. | 1.1% |
| **Top holdings as a percentage of net asset value** | **71.5%** |

* Excludes derivatives and investment of cash collateral for securities on loan (if any).

### Total Net Asset Value: $45,441,133

The Summary of Investment Portfolio may change because of the ETF's ongoing portfolio transactions. Updates are available quarterly.

## For more information, please contact us:

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## Forward-Looking Statement

This report may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent certain beliefs regarding future events. By their nature, forward-looking statements involve assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on any forward-looking statements contained in this report as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF's prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Because of the potential impact of these factors, WisdomTree Asset Management Canada, Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.