



WisdomTree Physical Ethereum



WisdomTree.eu
+44 (0) 207 448 4330

WisdomTree Physical Ethereum

WisdomTree Physical Ethereum (ETHW) provides investors with a simple, secure and cost-efficient way to gain exposure to the price of ether, the native coin of the Ethereum blockchain. The ETP (exchange-traded product) generates a staking yield, paid by the Ethereum blockchain.

Investing in ether via an ETP allows investors to experience the benefits of traditional financial infrastructure and product structuring. WisdomTree Physical Ethereum allows investors to access ether and receive staking rewards through a risk-managed approach without directly holding the crypto asset, storing private keys or interacting with the blockchain and crypto infrastructure in any way.

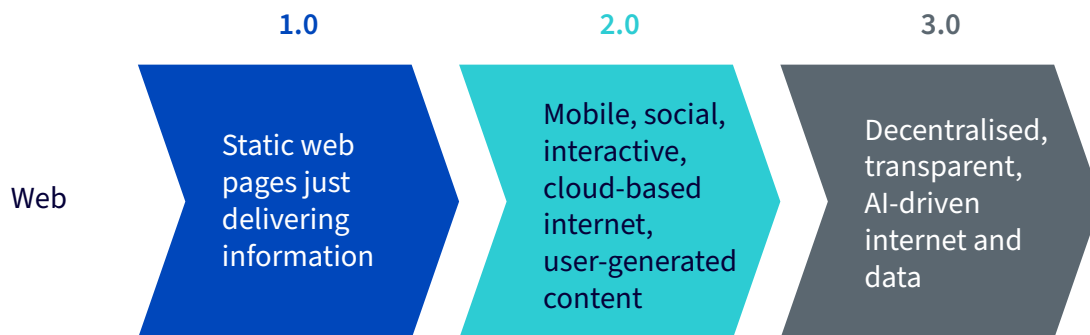
The Ethereum Blockchain

The Ethereum blockchain is a computing environment that enables users to access various decentralized financial services, games and applications through smart contracts. Ethereum was the first network to introduce ‘smart contracts’ or pieces of code on a blockchain, marking a significant breakthrough at the time. Today, Ethereum remains the most widely supported layer 1 smart contract blockchain and is particularly attractive to application developers due to the network’s modularity and composability.

In order to use applications built on Ethereum, users must pay a transaction fee or “gas”. The protocol generates fees every time an application built on the Ethereum blockchain is used.

Ethereum represents a vision of “Web 3.0”. For many, it represents the natural evolution of the internet, owned by everybody, formed for everyone, controlled by no one.

The evolution of the internet



This idea may seem very abstract, but the advantages it could offer are tangible.

Relying on a distributed network has many benefits. The service is always on, secure, immutable, fully transparent and automated, cuts out the middlemen and eventually promises shared data and services without the need to trust any one entity. Currently, Ethereum is the leading platform in the race to Web 3.0.

Staking on Ethereum

The Ethereum blockchain uses a Proof-of-Stake consensus mechanism, which is a way to verify transactions and secure the network. The owner of ether delegates, or stakes, their ether to one of the validator nodes¹ that run the network. This node then validates new entries to Ethereum's blockchain'. In return for helping to update and secure the ledger, validator nodes are probabilistically allocated new ether. The chances of being chosen to validate the next block is proportionate to the amount staked and the amount of time a user has held their asset. In this way, the network rewards participants who are most invested. If the selected node successfully validates a block, then it receives the staking reward.

In exchange for delegating ether, the owner is rewarded with more ether from the network. Staked coins act as a guarantor of the legitimacy of new transactions. If fraudulent transactions are discovered, users will lose a part of their stake or rewards in a slashing event².

Why invest in Ethereum?

- **The future of the internet:** Should Ethereum continue its dominant position as a layer 1 smart contract network, its coin value may be tied to the success of this platform and the ecosystem built around it. Some investors believe there will be a next phase of the internet revolution (often referred to as Web3), and blockchain networks like Ethereum will be integral to this evolution.

1 A node is a computer that runs the Ethereum software.

2 The network 'burns' the stake = removes it from the token supply.

- Staking yield:** Staking allows an ether holder to earn rewards by holding the asset and being willing to delegate ('stake') it in the blockchain's transaction verification process. Ethereum uses a Proof-of-Stake consensus mechanism, which is a method of verifying and securing transactions on the blockchain. In 'staking' the owner delegates ether into a validator node, which verifies the transactions and secures the network. The owner then receives a 'staking reward'. The current estimate for Ethereum's annual staking yield is 4-8%, depending on, among other things, the number of validators, the number of transactions on the network, the usage of maximum extractable value (MEV) technology and how ether is staked. Given Ethereum is the most popular smart contract network, its staking yield serves as a benchmark in the industry for comparing other staking yields. WisdomTree Physical Ethereum has activated staking and provides a staking yield to investors.
- Diversifying crypto allocation:** Most institutional investors allocate to relatively liquid and large crypto assets, such as bitcoin and ether. These blockchains have very different use cases and hence it makes sense to diversify. Bitcoin's blockchain primarily functions as a peer-to-peer payment system although it can also be viewed as "digital gold", an anti-fiat asset³. Ethereum, on the other hand, is a layer 1 smart contract network, which enables users to access decentralized applications, decentralized autonomous organizations (DAOs) and non-fungible tokens (NFTs).

Key information – Ethereum staking

Staking reward	4-8% APY (annual percentage yield) on average on the staked amount ⁴
Ether inflation rate	Slightly deflationary to mildly inflationary (0.5%) (May 2023) ⁵
Reward frequency	Usually around 2-5 days ⁶
Unbonding time ⁷	Variable, usually > 5 days
Custodians of ETHW	Coinbase and Swissquote
Slashing ⁸	Automatic slashing is applicable

3 Anti-fiat asset in this context means that the supply of the asset is not dependent on central bank money printing.

4 Source: Ethereum.org; stakingrewards.com

5 Source: Ethereum.org; Ultrasound.money. In November 2022 Ether turned deflationary, which means more Ether was burned (removed from token supply) than new Ether was issued per year.

6 Depends on whether the validator has chosen to have its reward withdrawn at next epoch.

7 Unbonding is the time taken to unlock the staked Ether from validator's smart contract node.

8 The penalty imposed on malicious nodes that attempt to approve false entries on the distributed ledger.

Ether in an ETP with WisdomTree

Investors often turn to the ETP structure to provide additional protection for their investments:



SECURITY – Safely storing digital assets is not only about protecting against hacks, but also protecting against the inadvertent loss of private keys. Investing in cryptocurrencies through an ETP structure could allow investors to transfer the expensive and time-consuming burden of managing private keys to the issuer and to benefit from institutional-grade safeguarding of assets in cold storage⁹.



TRANSPARENCY – Transparency is a core component of the ETP structure. A cryptocurrency ETP could offer a core measure of confidence for investors by enabling access to the issuer’s website, which discloses exactly how many coins are represented by the outstanding ETP shares.



ETP STANDARDISATION – Product standardisation is a key aspect of the ETP wrapper that benefits investors in cryptocurrencies. Trading, holding and accounting for investments in ETPs are well established and the provision of crypto exposure in this format could allow for such investments to fit within an investor’s existing systems, processes and risk management. Additionally, providing crypto exposure in an ETP format could allow for benefits from standard market features that many investors rely on. Centralised clearing, an exchange listing on a recognised venue and standard settlement practices all lower the operational and counterparty risk of making investments.



LIQUIDITY – ETPs tend to bring a centralisation of liquidity to asset classes. This could be especially impactful in the crypto space as the current ecosystem is quite fragmented, with trading taking place across many venues with no common settlement infrastructure. An investor would need to separately establish connectivity to several venues in order to access their liquidity. Investment in an ETP essentially outsources this responsibility to specialist market makers with trading infrastructure to manage several exchange connections.

Cryptocurrency exposures by WisdomTree

WisdomTree aims to address the needs of investors within the cryptocurrency landscape by delivering exposures to unique digital assets. WisdomTree’s Ethereum ETP taps into WisdomTree’s tradition of innovation and leverages the firm’s deep expertise in physically-backed ETPs.

⁹ Cold storage refers to the offline storage of private keys.

Product information: WisdomTree Physical Ethereum

Ticker	Exchange	ISIN	Bloomberg Code	Listing Currency	Base Currency	TER%
ETHW	LSE	GB00BJYDH394	ETHW LN	USD	USD	0.35
WETP	LSE	GB00BJYDH394	WETP LN	GBx	USD	0.35
WETH	Xetra	GB00BJYDH394	WETH GY	EUR	USD	0.35
ETHW	SIX	GB00BJYDH394	WETH SW	EUR	USD	0.35
ETHW	SIX	GB00BJYDH394	ETHW SW	USD	USD	0.35
ETHW	SIX	GB00BJYDH394	ETHWCHF SW	CHF	USD	0.35
WETH	Euronext(FR)	GB00BJYDH394	WETH FP	EUR	USD	0.35
ETHW	Euronext(NL)	GB00BJYDH394	ETHW NA	USD	USD	0.35

TER: Total Expense Ratio.

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. 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. 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. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has

been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer X Limited

The products discussed in this document are issued by WisdomTree Issuer X Limited (the “Issuer”). Investors should read the prospectus of the Issuer before investing and should refer to the section of the prospectus entitled “Risk Factors” for further details of risks associated with an investment in the securities offered by the Issuer.

Securities issued by the Issuer are direct, limited recourse obligations of the Issuer alone and are not obligations of or guaranteed by any of Swissquote Bank Ltd (“Swissquote”), Coinbase Custody Trust Company LLC (“Coinbase”), any of their affiliates or anyone else or any of their affiliates. Each of Swissquote and Coinbase disclaims all and any liability whether arising in tort, contract or otherwise which it might have in respect of this document or its contents otherwise arising in connection herewith.

The products discussed in this document is an unregulated ETP, approved to trade on the SIX Swiss Exchange in Switzerland and the Deutsche Börse Xetra in Germany. Cryptocurrencies are a high-risk investment and may not be suitable for all types of investor. Prospective investors should be aware that the price of the underlying asset(s) by which the securities are secured can demonstrate higher volatility than other asset classes and consequently the value of the securities may be extremely volatile. You must ensure that the nature, complexity and risks associated with cryptocurrencies are suitable for your objectives in light of your circumstances and financial position.

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong.

[Take 2 mins to learn more](#)

The digital assets underlying WisdomTree's exchange traded products are held using secure, institutional-grade custody solutions that prevent unauthorised access or movement. Digital assets are primarily stored offline in cold wallets and their transfer requires authorisation from multiple independent parties with a redundancy of locations, communication methods and authentication devices.

Our operational processes are regularly updated to protect against evolving threats and are kept confidential for security reasons.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

ETHW Index Disclaimer

All rights reserved. Compass has all proprietary rights with respect to the Compass Crypto Reference Index Ethereum. Compass disclaims any liability to any party for any inaccuracy in the data on which the Index is based, for any mistakes, errors, omissions or interruptions in the calculation and/or dissemination of the Index. In no event shall Compass have any liability for any lost profits or indirect, punitive, special or consequential damages or losses, even if notified of the possibility thereof.

For investors in Switzerland:

This document constitutes an advertisement of the financial product(s) mentioned herein.

In Switzerland, this communication is only targeted at Qualified Investors.

The prospectus and the key investor information documents (KID) are available from WisdomTree's website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

For Investors in Monaco:

This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.

For investors in Israel:

Offering materials for the offering of the securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law”), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.