

WisdomTree

**SHORT & LEVERAGED ETPs**  
**Global Flows**  
June 2020



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.

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# Importance of WisdomTree Short & Leveraged ETPs Report

Money moves fast in the Short & Leveraged (S&L) world and around \$85 billion as of 30/06/2020 sits within Short & Leveraged ETPs. The WisdomTree Short & Leveraged ETP report tries to make sense of the money moving in and out of S&L ETPs.

Solely looking at inflows and outflows of long-only ETPs fails to present the true picture of investor sentiment. We believe a better measure of sentiment is to try and understand how bullish or how bearish investors are on a particular market. Investors allocating to 3x leveraged exposures demonstrates a bullish sentiment better than looking at long-only ETP inflows. Similarly, a 3x short exposure would demonstrate a bearish view better than looking at long-only ETP outflows.

By illustrating S&L ETPs flows, the WisdomTree Short & Leveraged ETP report provides a nuanced view of investor sentiment for the past month across a range of exposures which cannot be seen using trading flow data.

## **About the WisdomTree S&L ETP flows report**

WisdomTree is a market leading S&L ETP issuer, providing unique data through its monthly S&L ETP flows report. The WisdomTree S&L ETP flows report is compiled through a proprietary global Short & leveraged ETP database which covers and categorises every S&L ETP globally in terms of the underlying investment and leverage factors.

**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 June 2020. All figures are denominated in USD.**

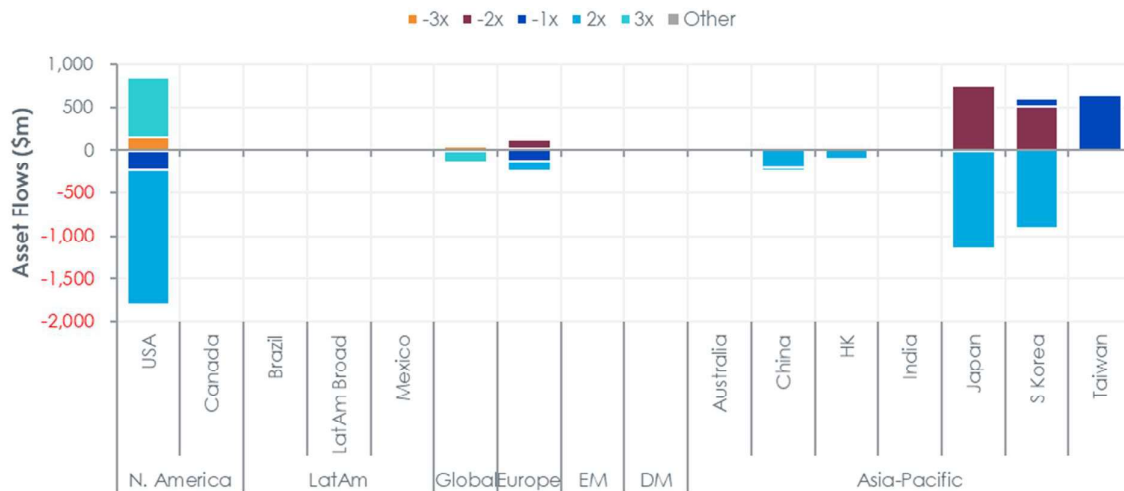
**You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

# Executive Summary

## Short and Leveraged (S&L) investors took both bullish and bearish positions in USA equities in June

- Investors in S&L ETPs sold 2x leveraged positions in USA equities during June but also added new 3x leveraged positions. The S&P 500 Index had a total return of around 3% during the month which may have encouraged some investors to take profits from their long positions. The ongoing positive momentum in USA equities may also have provided some investors compelling reasons to add new bullish positions.
- S&L investors also notably appeared to take bearish positions in Japanese and Korean equities. Japan's NIKKEI 225 Index had a volatile month in June but ended the month up around 2% on a total return basis in Japanese Yen terms. Korea's KOSPI Index had just under 4% in total returns during the month in South Korean Won terms.

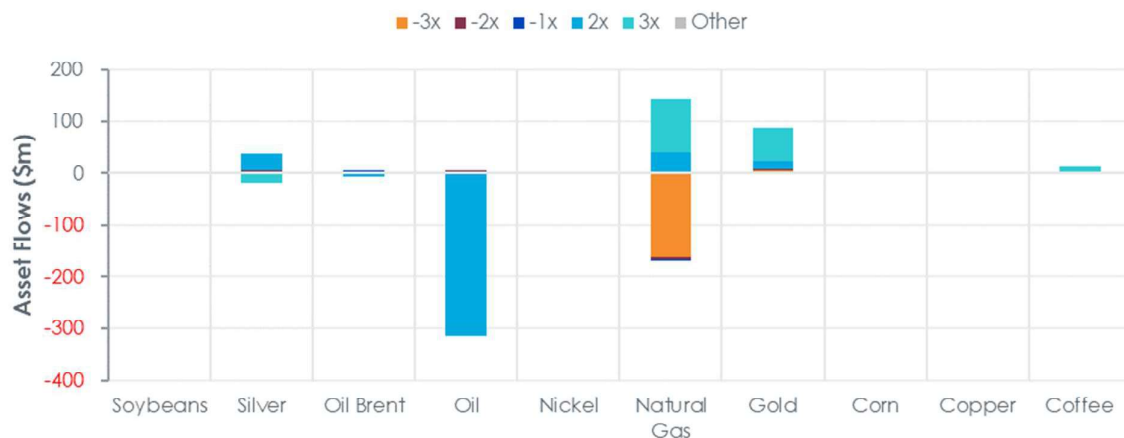
Global Equities June 2020 Flows - Asset Flows by Leverage Factor



## Investors in S&L ETPs were bearish on oil and bullish on gold in June

- S&L investors sold 2x leveraged long positions in oil during the month of June possibly taking profits on their positions. Oil prices increased further in June as demand conditions improved and the Organisation for the Petroleum Exporting Countries and its partners (OPEC+) agreed to extend their deep cuts into July this year.
- Investors also added bullish positions in gold in line with the trend in the broader market. Investors have continued to buy gold this year to hedge against the prevailing economic uncertainty and currency devaluation risks from the monetary accommodation by central banks. Gold prices were up nearly 3% during the month of June.

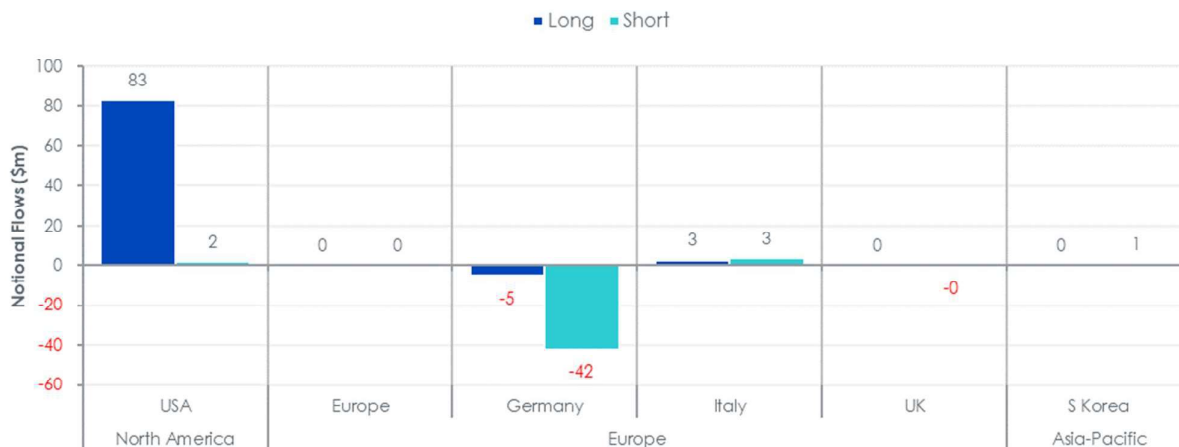
Global Commodities June 2020 Flows - Asset Flows by Leverage Factor



### Will the shape of the economic recovery diverge between the US and Europe?

- While many countries including the US began to lift some of the lockdown measures in June, a sudden resurgence in daily Covid-19 cases in the US towards the end of the month led to strong risk aversion in the market as uncertainty around the path to economic recovery became less clear. In June, S&L investors increased their positions in long US government bond ETPs by \$83m, accounting for the leverage factors. While overall 10-year US Treasury yields were relatively choppy during the month of June, yield levels ended relatively flat compared to 1 June 2020.
- Investors in S&L ETPs decreased their positions in short German government bond ETPs by \$42m, accounting for the leverage factors, as their conviction towards yields rising and prices falling weakened into month end. European countries continued to lift lockdown rules meanwhile Covid-19 daily cases remained relatively controlled in Europe.

Global Debt June 2020 Flows - Notional Flows by Long / Short ETPs



### Global Asset Allocation

- The total global AUM of Short & Leveraged (S&L) ETPs was \$84.9 billion as of 30/06/2020
- 40% of AUM is held in short products with leverage factors ranging between -1x to -3x. 60% 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 31% of AUM.
- In terms of S&L asset allocation, equity ETPs are the most popular with 84% of AUM, followed by commodities with 10% and debts with 3%. The remainder is allocated between currency and alternative ETPs.

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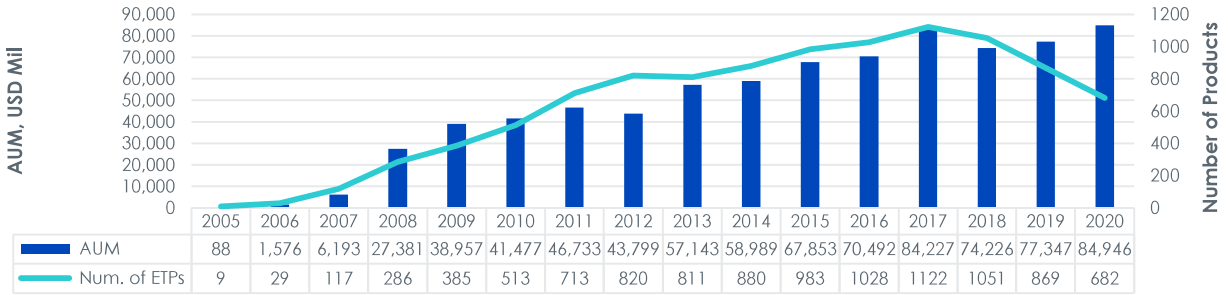
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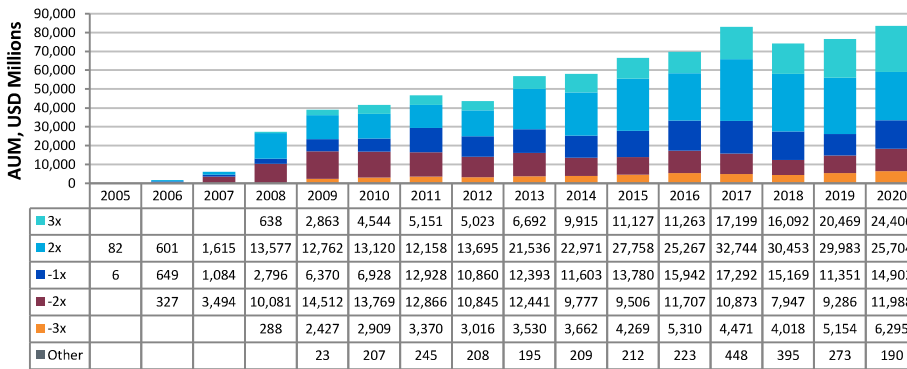
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# Global Growth of S&L ETFs/ETPs

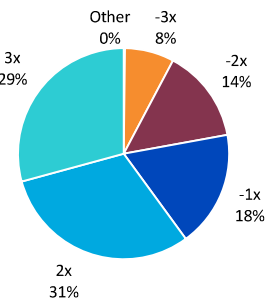
## AUM and Number of Products



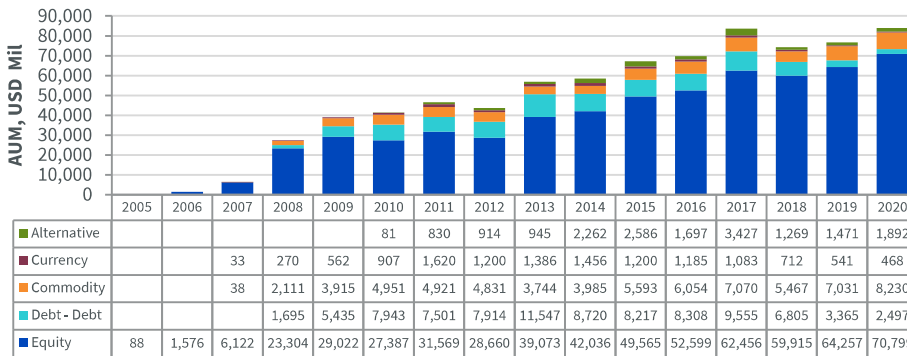
## AUM by Leverage Factor



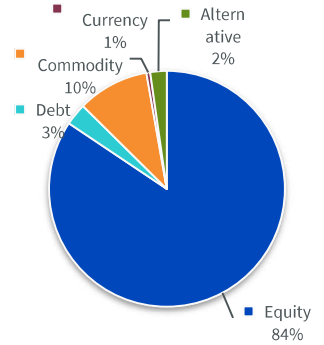
As of 30<sup>th</sup> June 2020



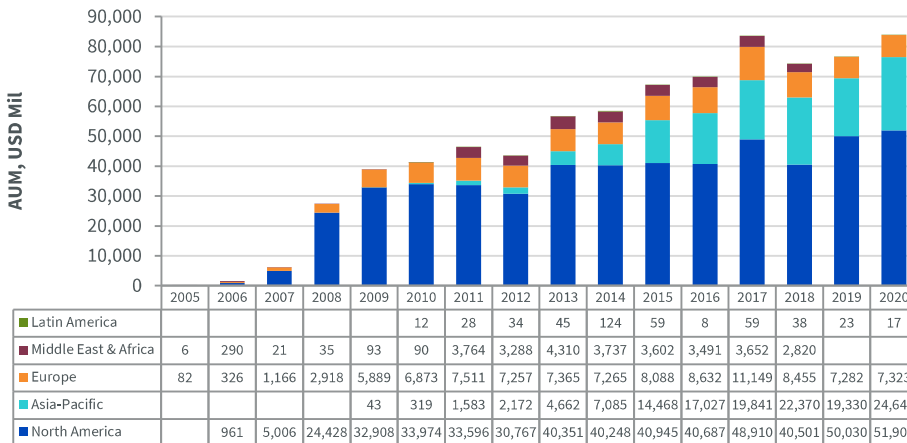
## AUM by Asset Class



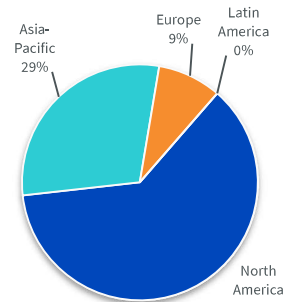
As of 30<sup>th</sup> June 2020



## AUM by Domicile Region



As of 30<sup>th</sup> June 2020

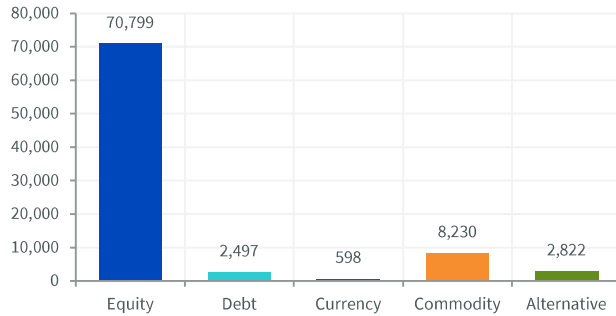


# Global Asset Allocation

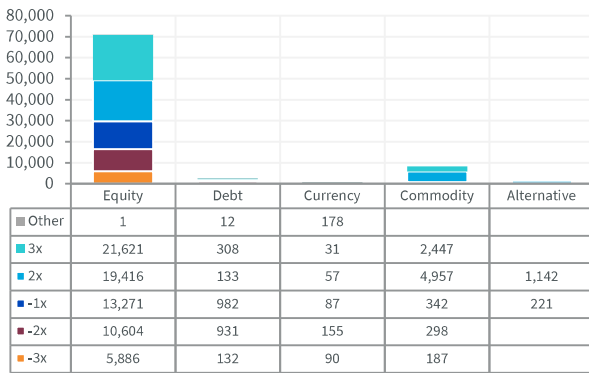
## Current Allocations

As of 30<sup>th</sup> June 2020; Figures in USD Mil.

### AUM

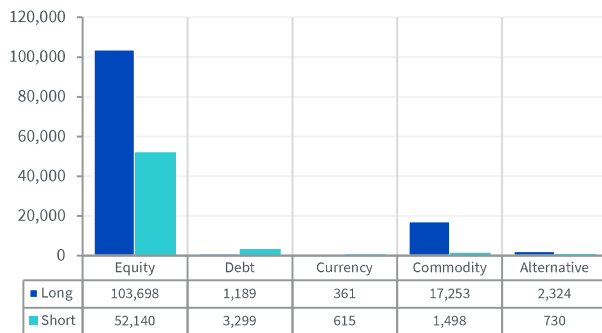


### AUM by Leverage Factor



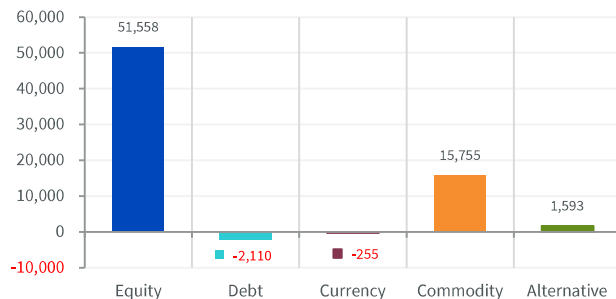
### Notional AUM by Long / Short ETPs

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

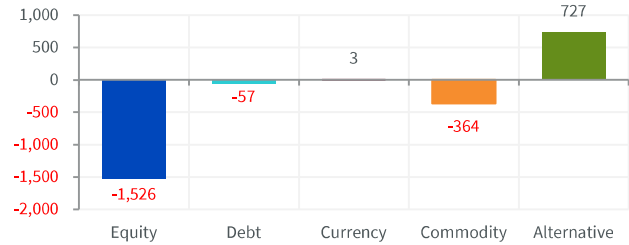
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



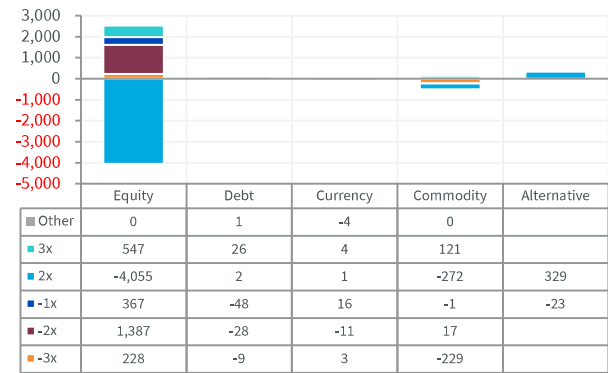
## June 2020 Flows

Over June 2020; Figures in USD Mil.

### Asset Flows

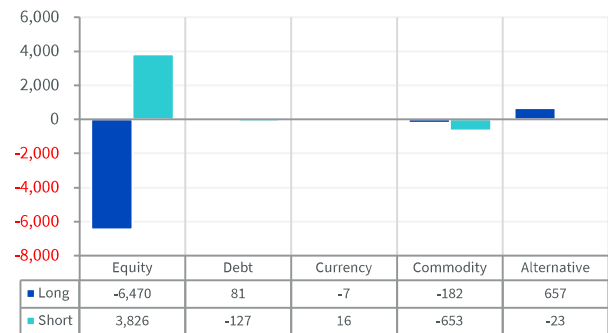


### Asset Flows by Leverage Factor



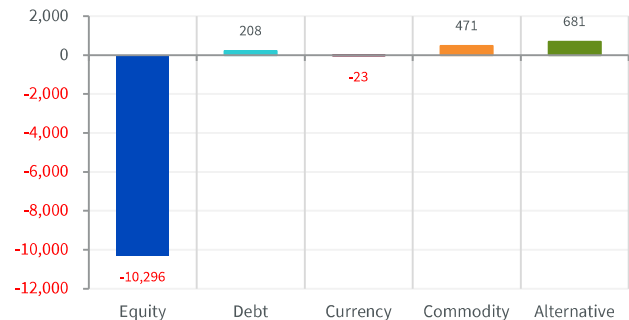
### Notional Flows by Long / Short ETPs

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



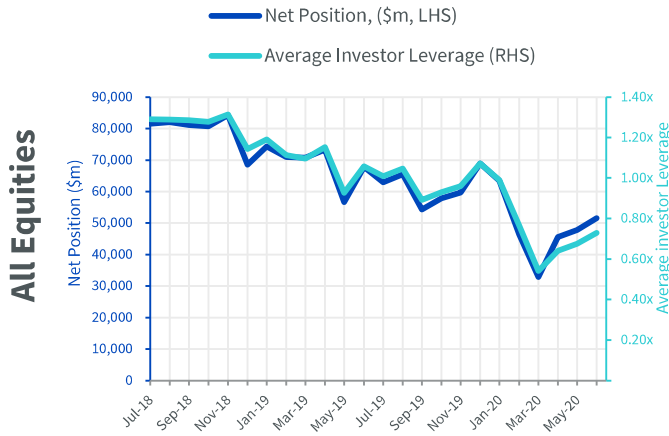
### Net Position Flows

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

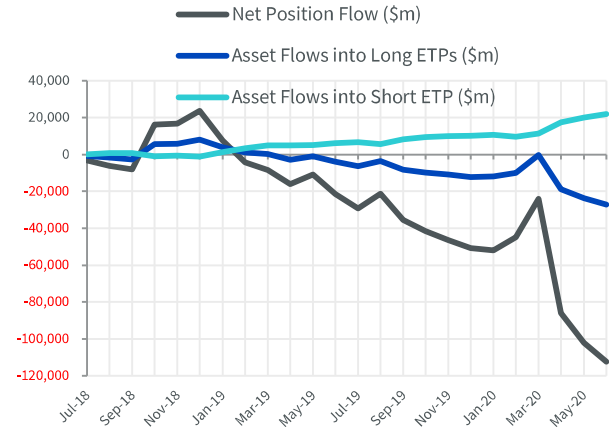


# Global Asset Allocation - Historical View

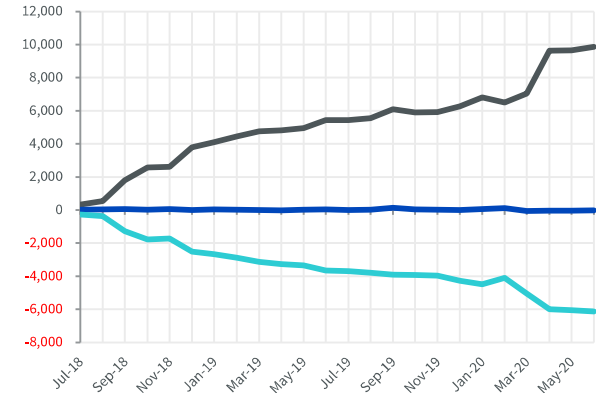
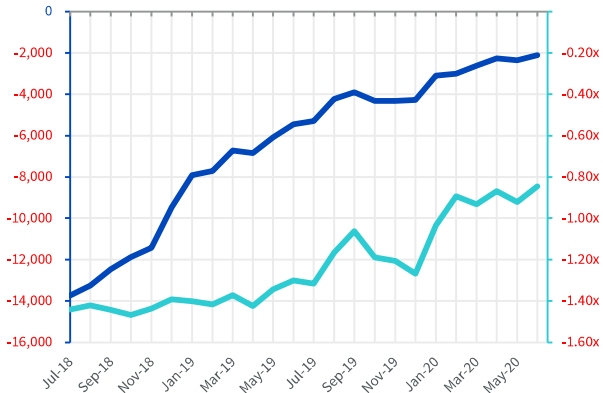
## Net Position and Average Investor Leverage



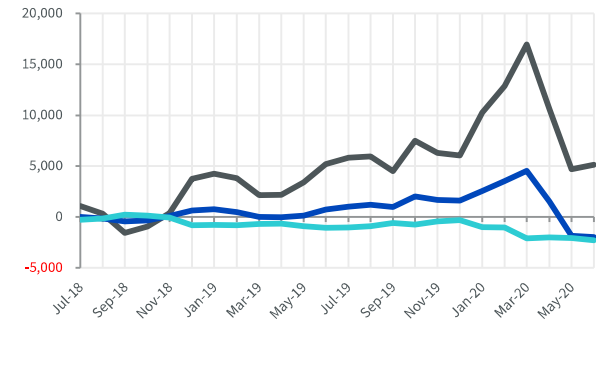
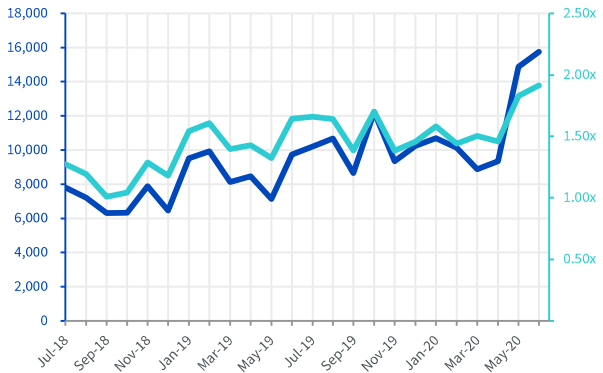
## Cumulative Asset Flows into Short / Long ETPs and Net Position Flows



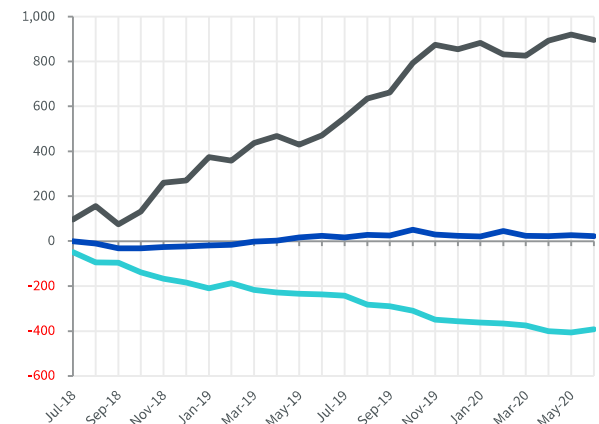
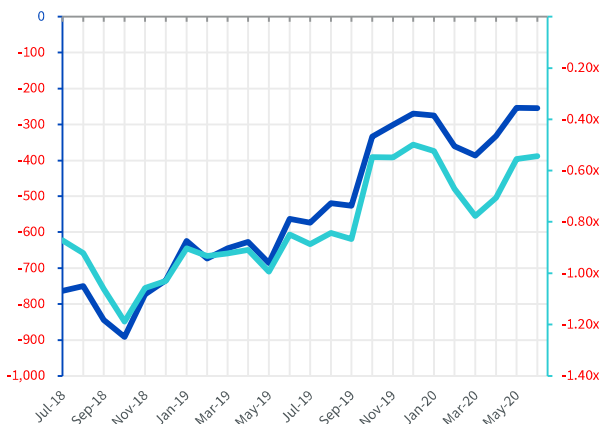
## All Bonds



## All Commodities



## All Currencies



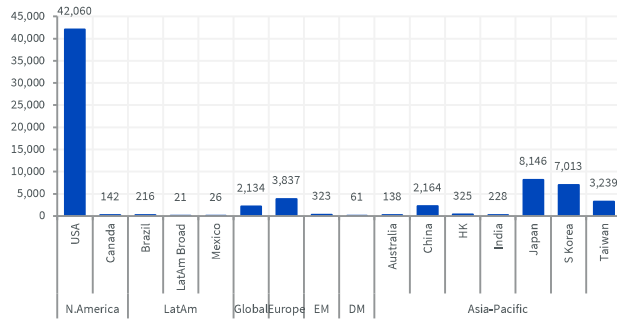
# Short & Leveraged Equities

## Global Equities

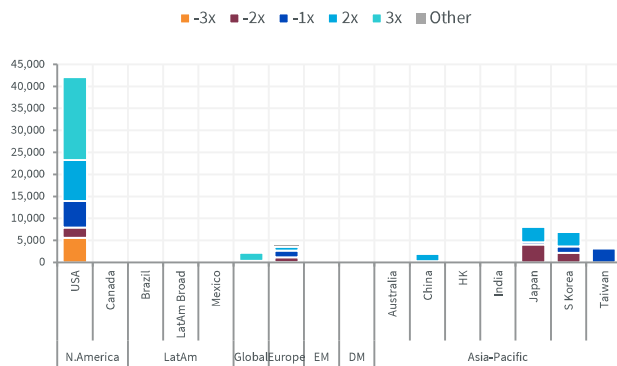
### Current Allocations

By Geographic Exposure; As of 30<sup>th</sup> June 2020; Figures in USD Mil.  
 "Europe" represents the sum total of ETPs exposed to Europe or European countries.

#### AUM

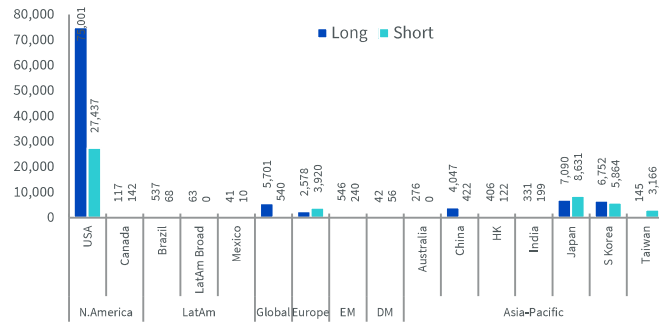


#### AUM by Leverage Factor



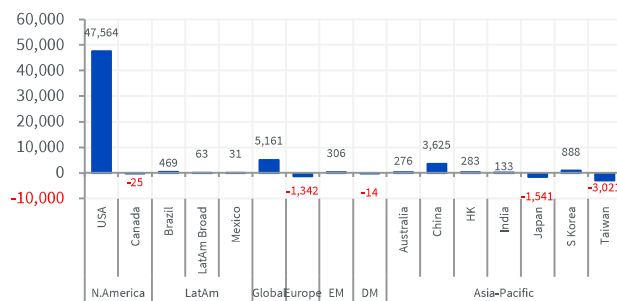
#### Notional AUM by Long / Short ETPs

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#### Net Position

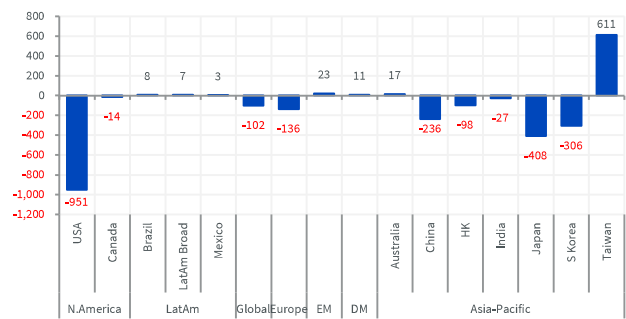
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



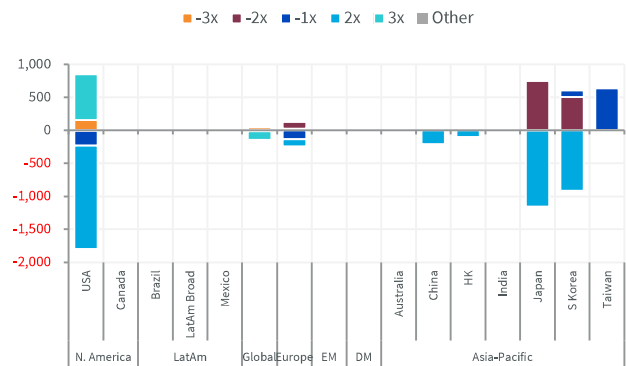
### June 2020 Flows

By Geographic Exposure; During June 2020; Figures in USD Mil.

#### Asset Flows

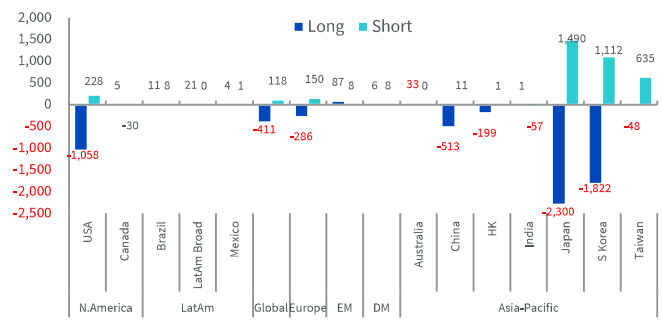


#### Asset Flows by Leverage Factor



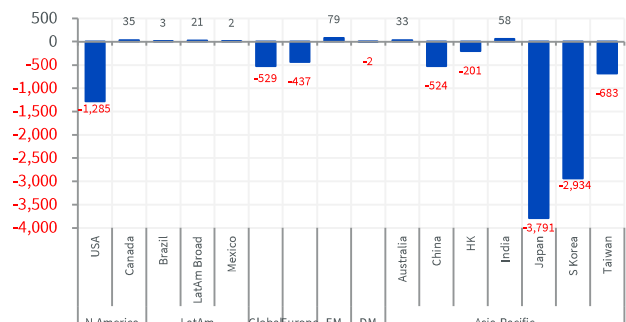
#### Notional Flows by Long / Short ETPs

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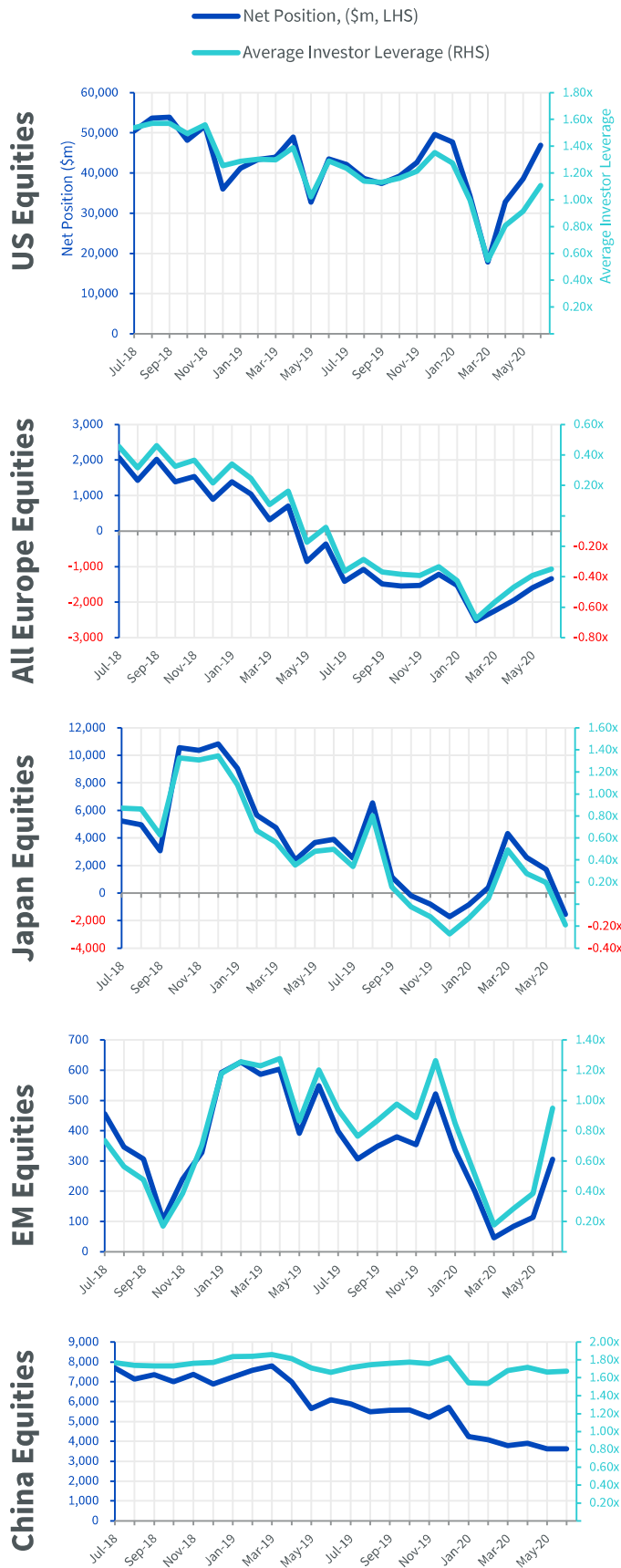
#### Net Position Flows

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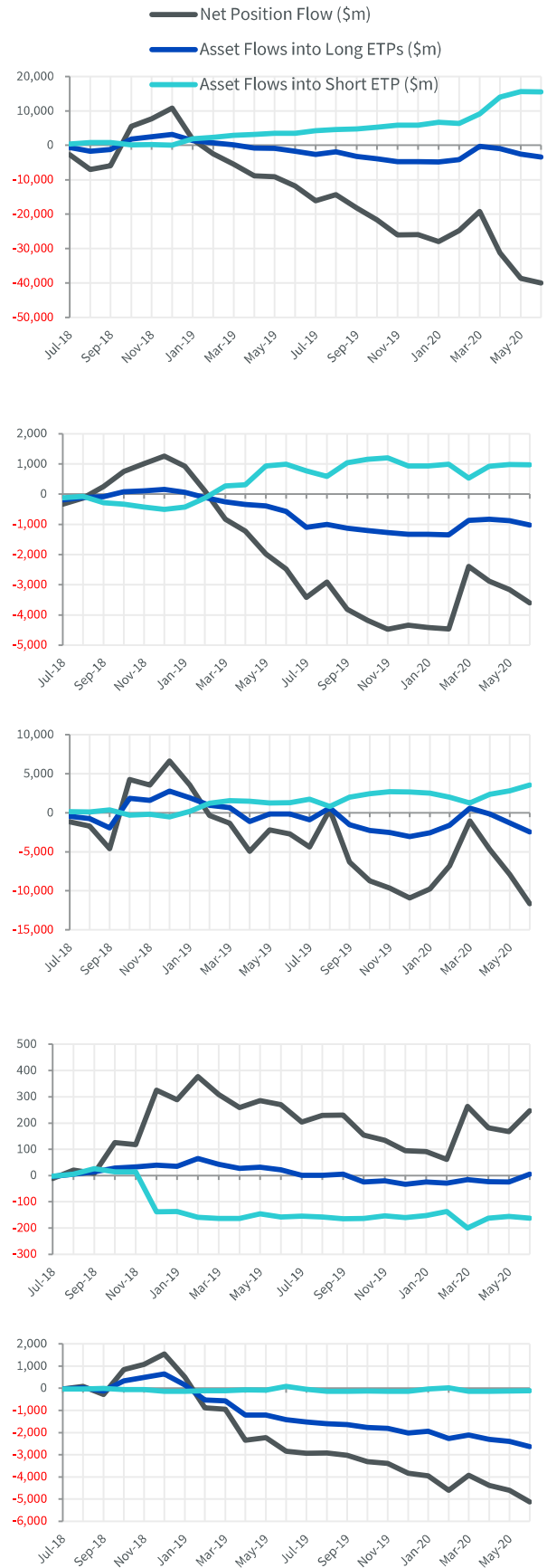


# Global Equities - Historical View

## Net Position and Average Investor Leverage



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

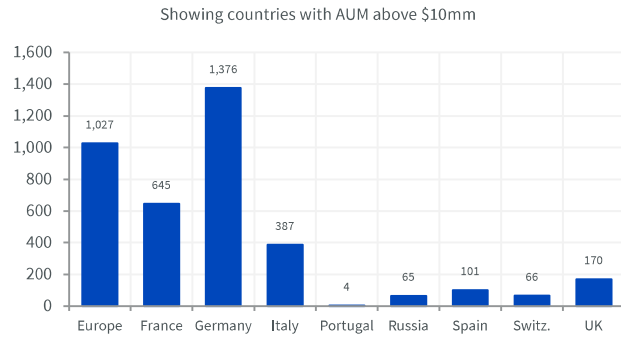


# European Equities Breakdown

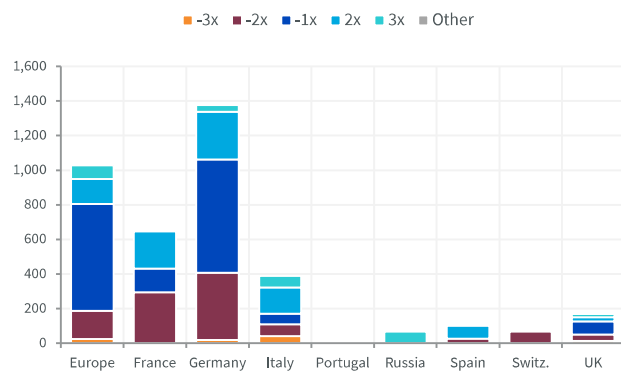
## Current Allocations

By Geographic Exposure; As of 30<sup>th</sup> June 2020; Figures in USD Mil.  
 "Europe" represents ETPs exposed to Europe as a region.

### AUM

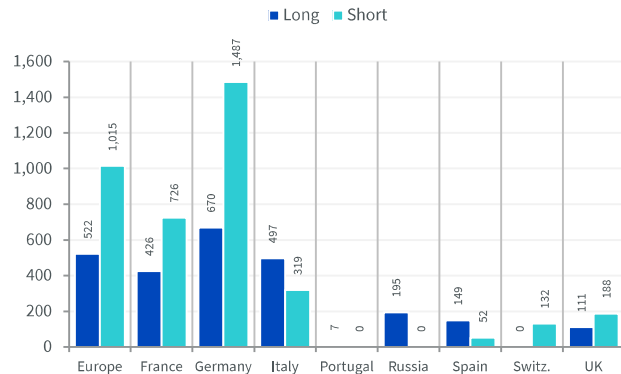


### AUM by Leverage Factor



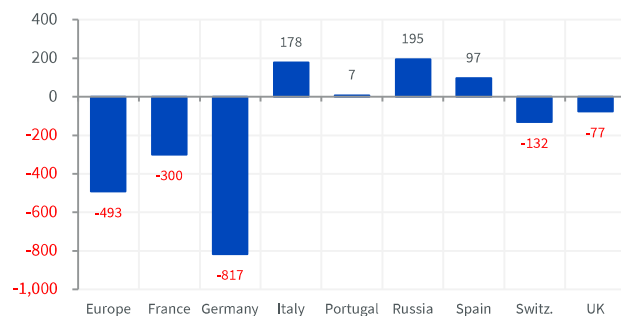
### Notional AUM by Long / Short ETPs

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### Net Position

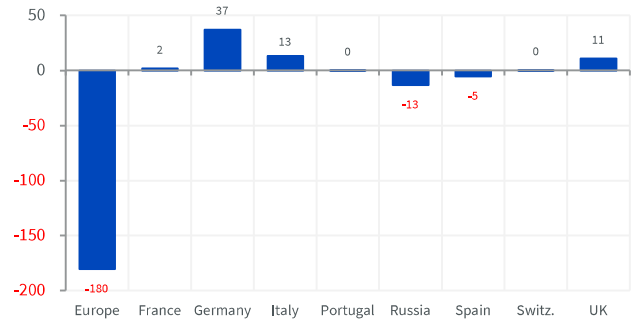
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates a net long or net bullish position



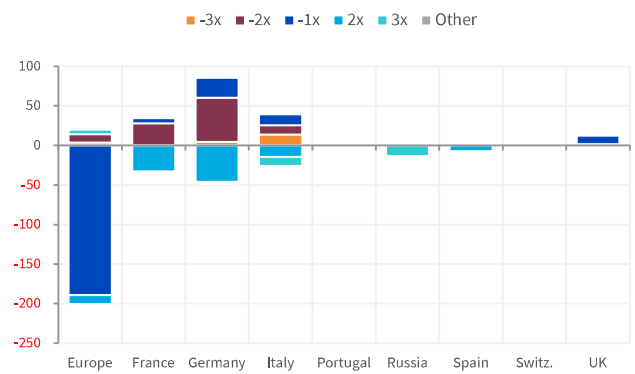
## June 2020 Flows

By Geographic Exposure; Over June 2020; Figures in USD Mil.

### Asset Flows

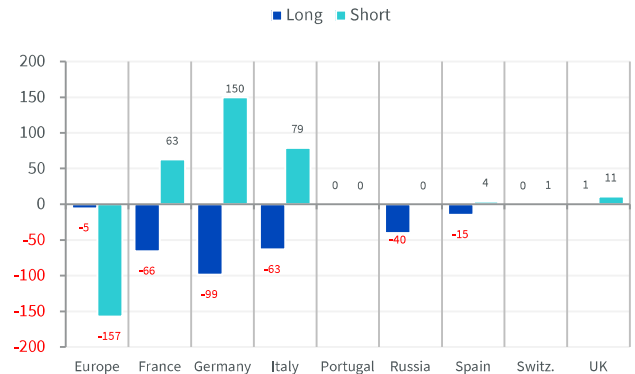


### Asset Flows by Leverage Factor



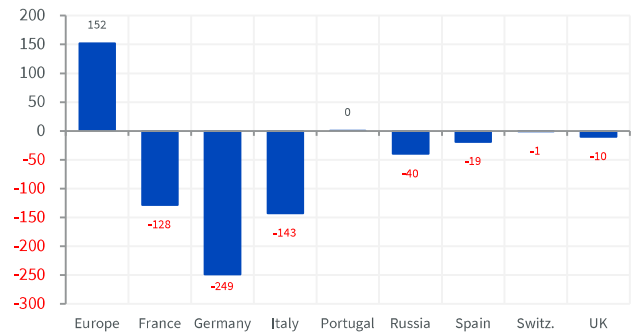
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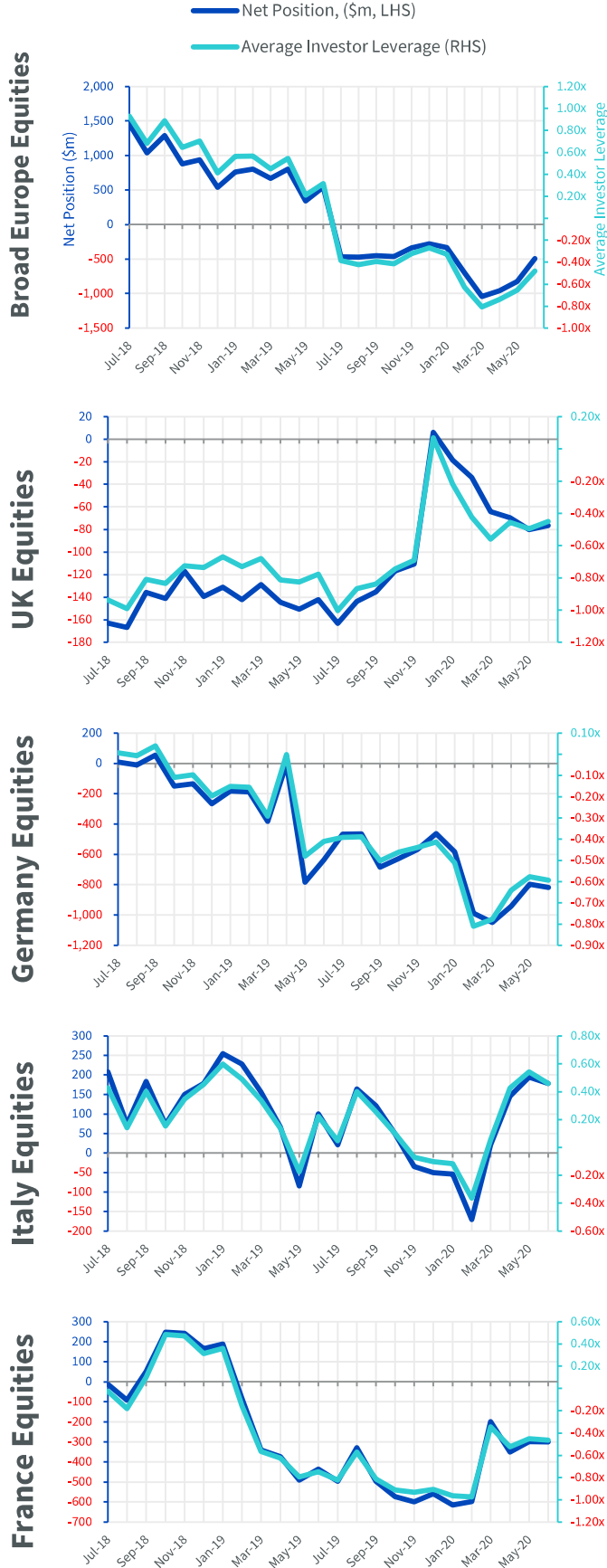
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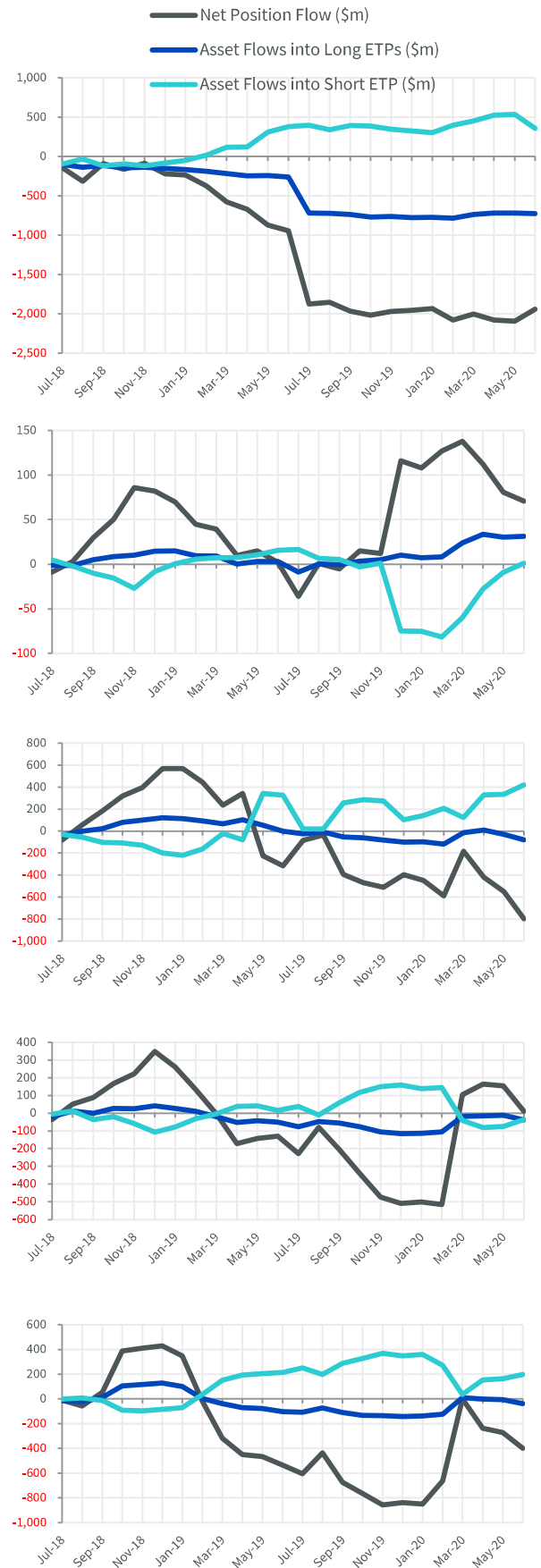


# Europe Equities - Historical View

## Net Position and Average Investor Leverage



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



# Short & Leveraged Government Debt

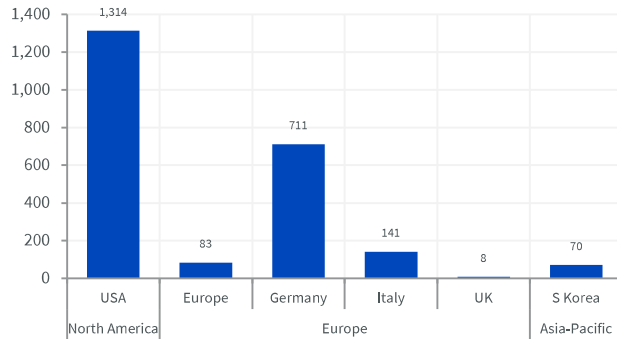
## Global Debt

### Current Allocations

By Geographic Exposure; As of 30<sup>th</sup> June 2020; Figures in USD Mil.

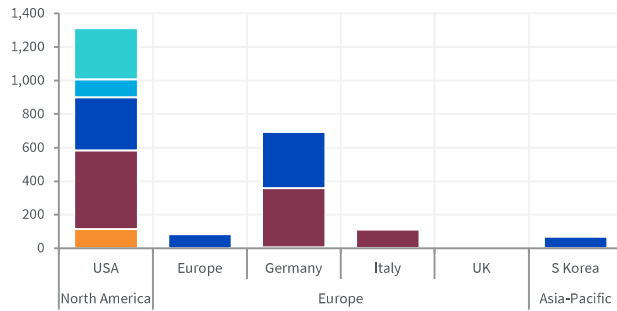
#### AUM

Showing countries with AUM above \$10mm



#### AUM by Leverage Factor

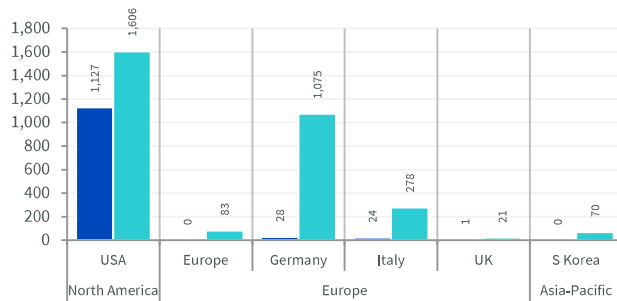
Legend: -3x, -2x, -1x, 2x, 3x, Other



#### Notional AUM by Long / Short ETPs

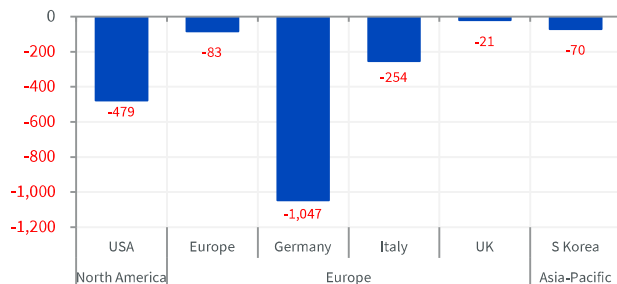
The sum of the AUM in each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of assets in a 3x leverage or a 3x short ETP equals \$3 of notional AUM

Legend: Long, Short



#### Net Position

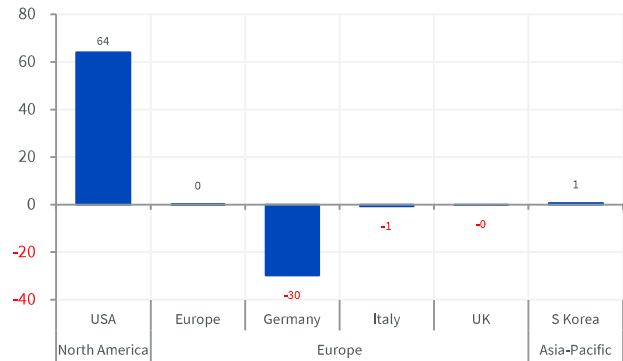
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



### June 2020 Flows

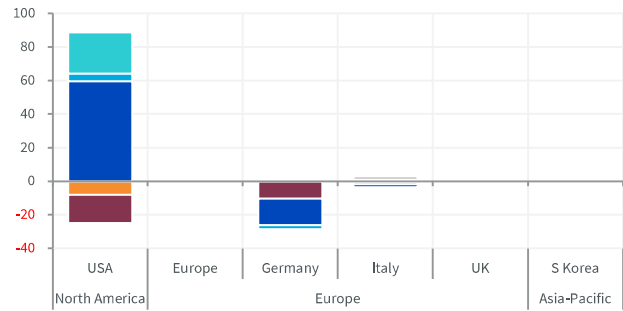
By Geographic Exposure; Over June 2020; Figures in USD Mil.

#### Asset Flows



#### Asset Flows by Leverage Factor

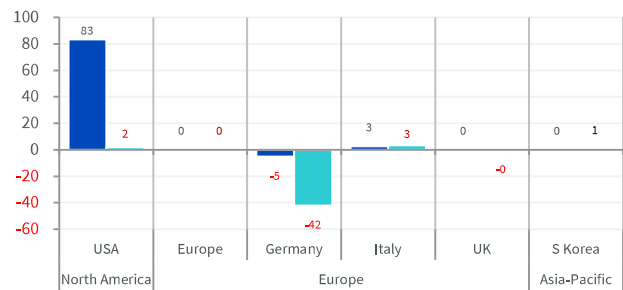
Legend: -3x, -2x, -1x, 2x, 3x, Other



#### Notional Flows by Long / Short ETPs

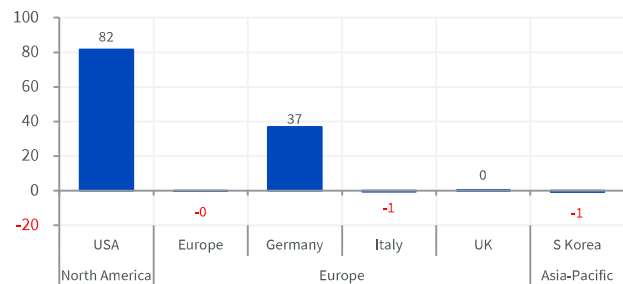
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



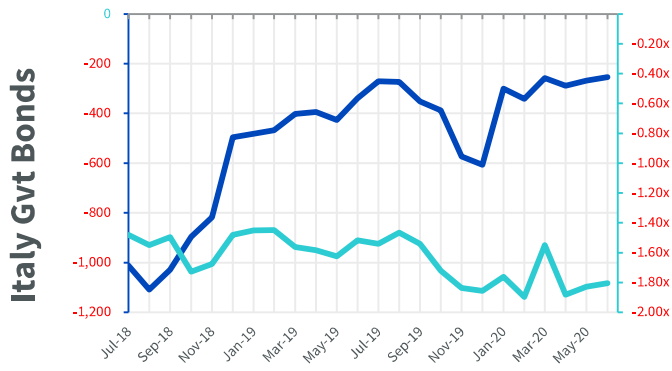
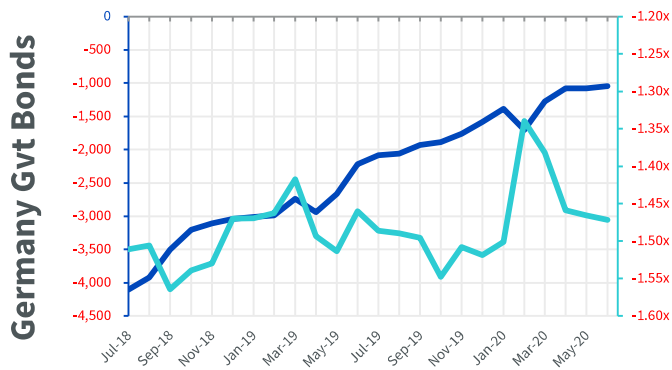
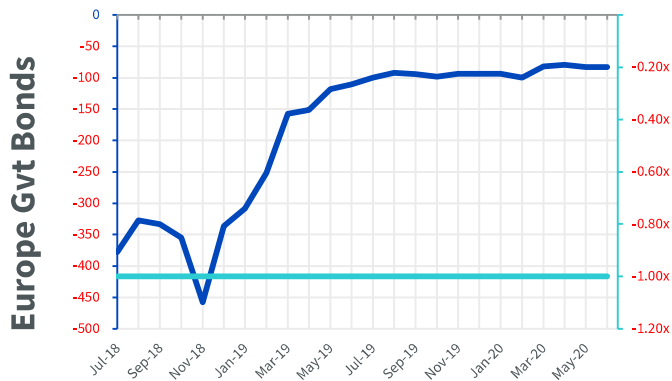
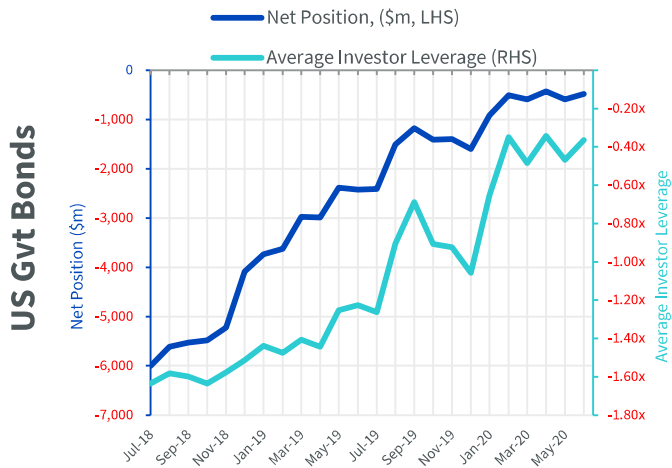
#### Net Position Flows

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

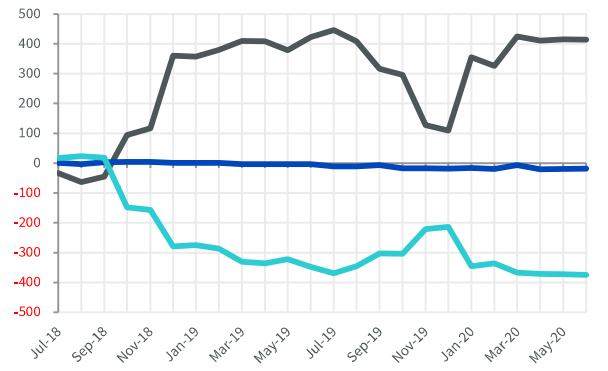
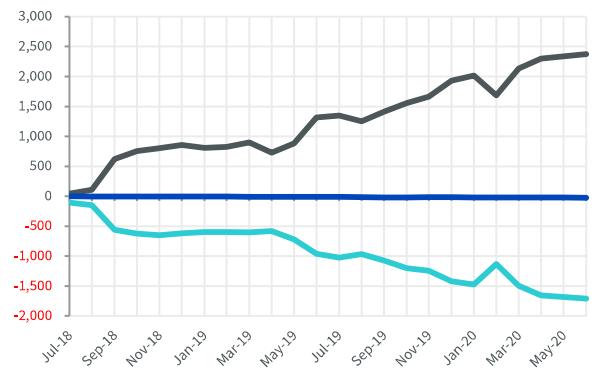
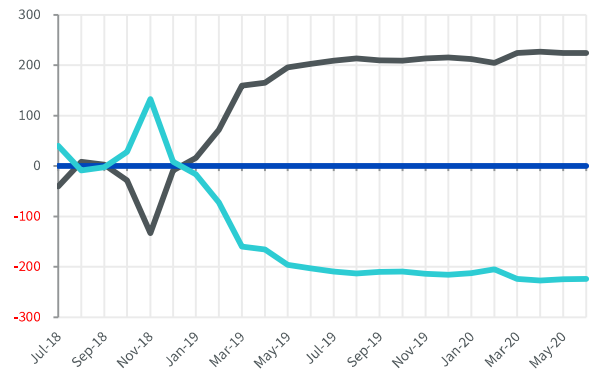
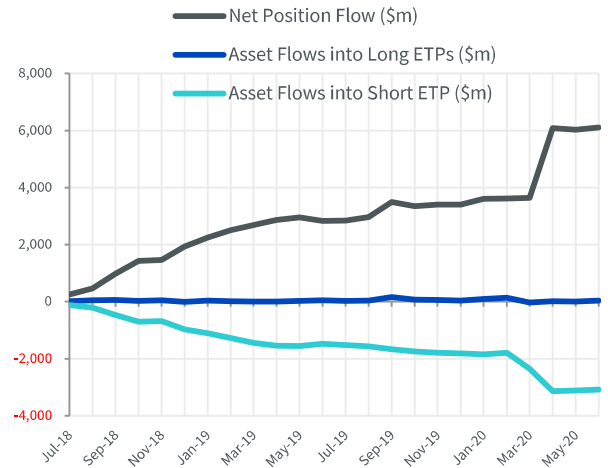


# Global Debt - Historical View

## Net Position and Average Investor Leverage



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



# Short & Leveraged Commodities

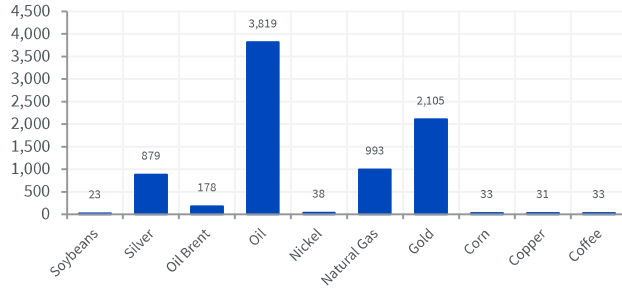
## Global Commodities

### Current Allocations

By commodity exposure; As of 30<sup>th</sup> June 2020; Figures in USD Mil;  
Showing the top 10 AUM commodity exposures

#### AUM

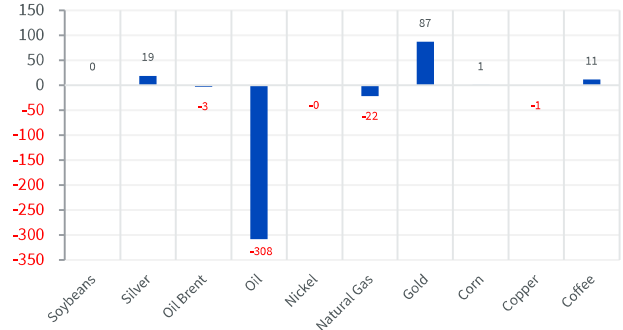
Showing commodity exposures with the top 10 AUMs



### June 2020 Flows

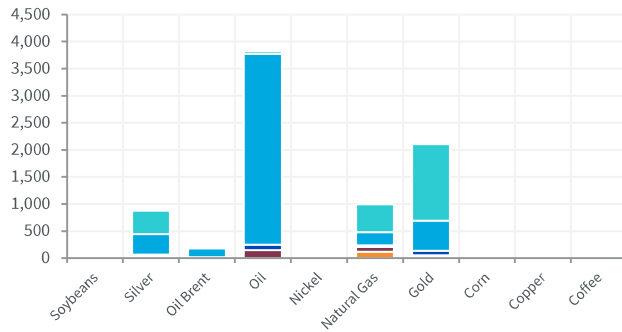
By commodity exposure; Over June 2020; Figures in USD Mil;  
Showing the Flows for top 10 AUM commodity exposures

#### Asset Flows



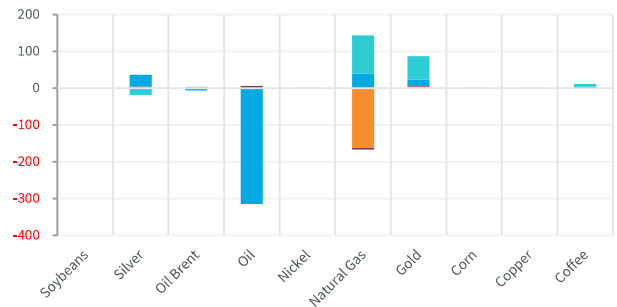
### AUM by Leverage Factor

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



### Asset Flows by Leverage Factor

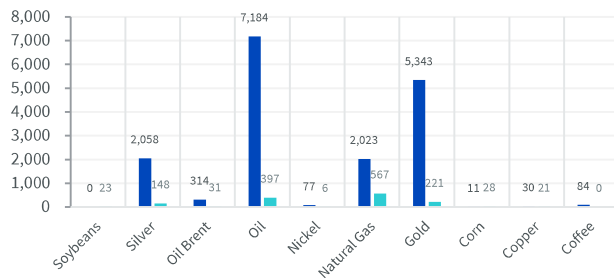
Legend: -3x, -2x, -1x, 2x, 3x, Other



### 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

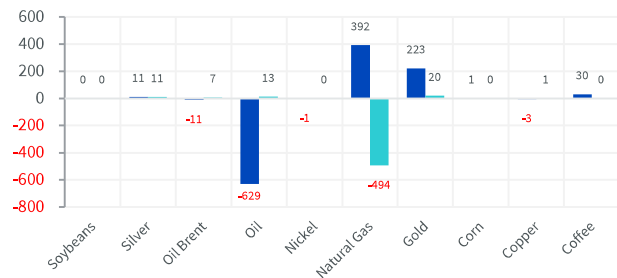
Legend: Long, Short



### Notional Flows by Long / Short ETPs

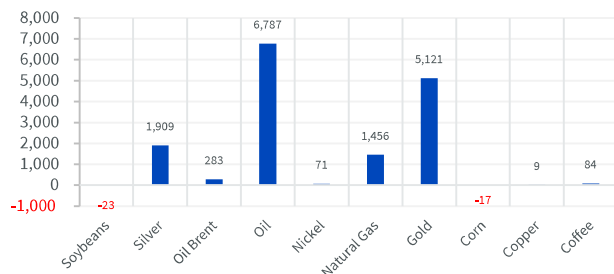
The net subscriptions for each ETP multiplied by the absolute value of its leverage factor. E.g., \$1 of outflows from a 3x leverage ETP equals -\$3 of notional flow

Legend: Long, Short



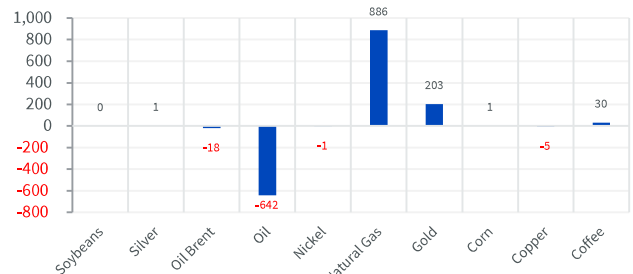
### Net Position

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



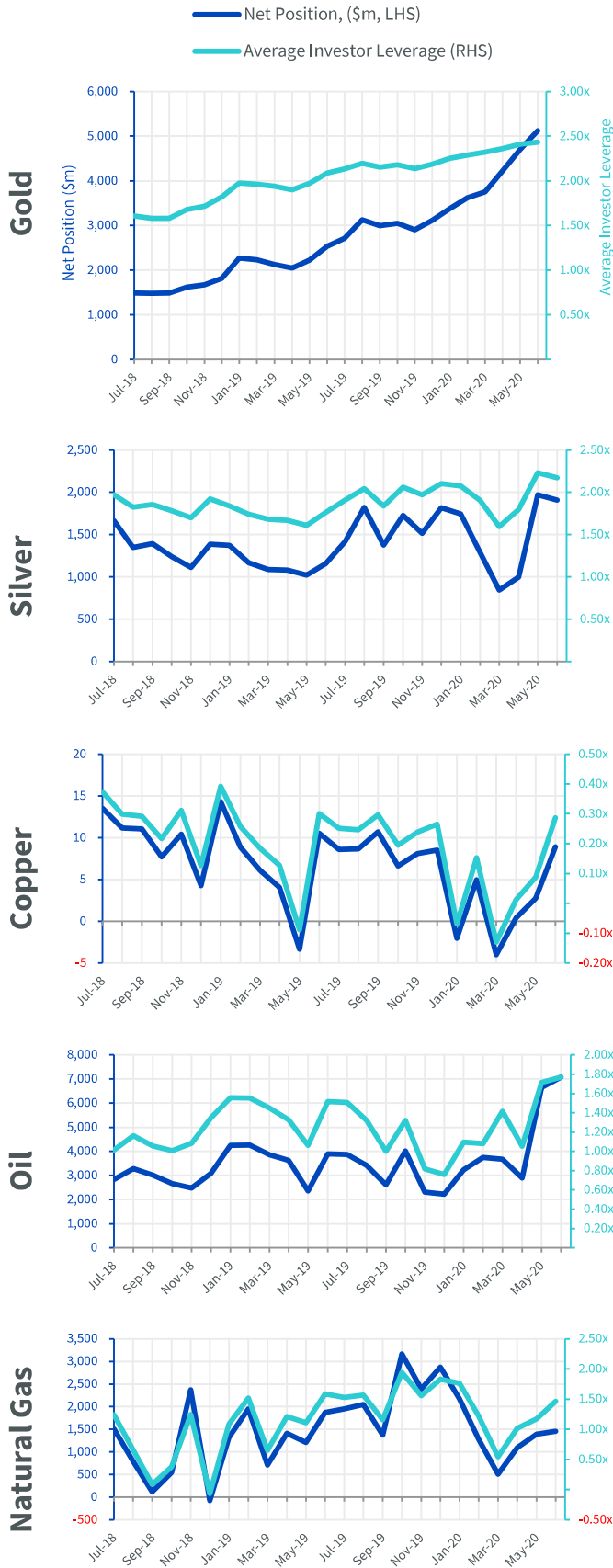
### Net Position Flows

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

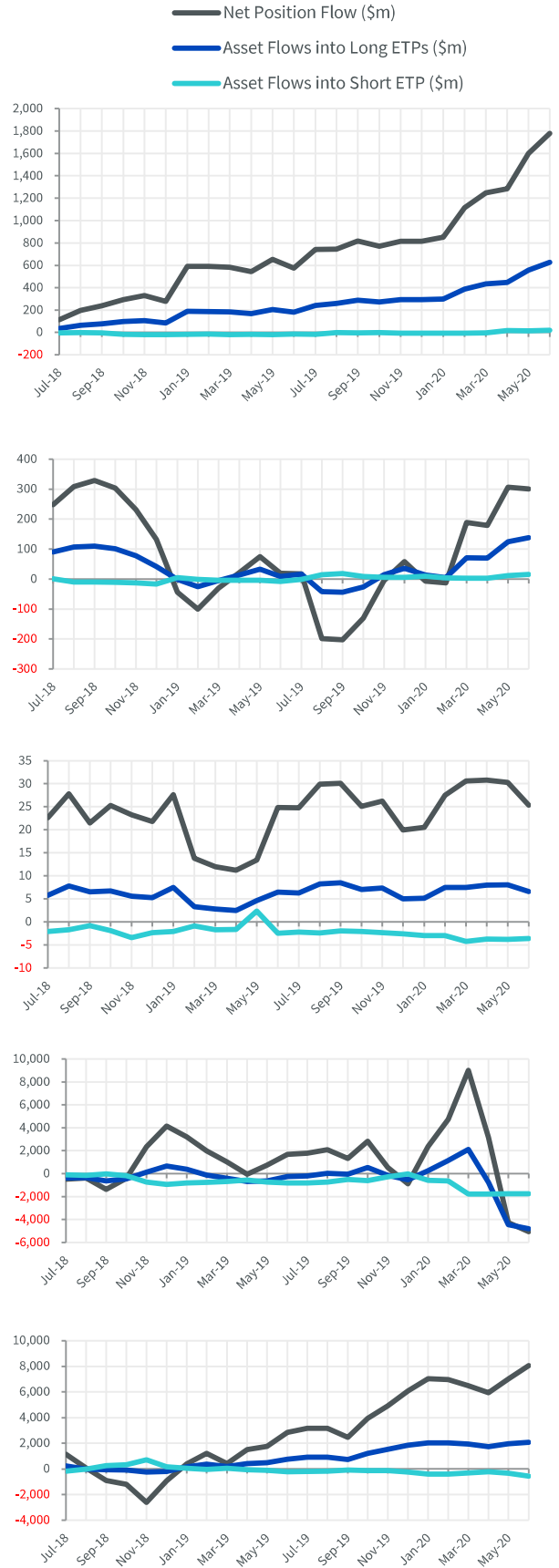


# Global Commodities - Historical View

## Net Position and Average Investor Leverage



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



# Short & Leveraged Currencies

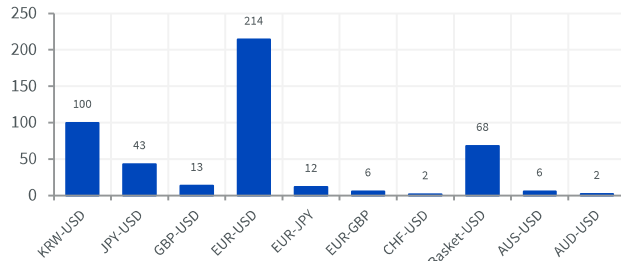
## Global Currencies

### Current Allocations

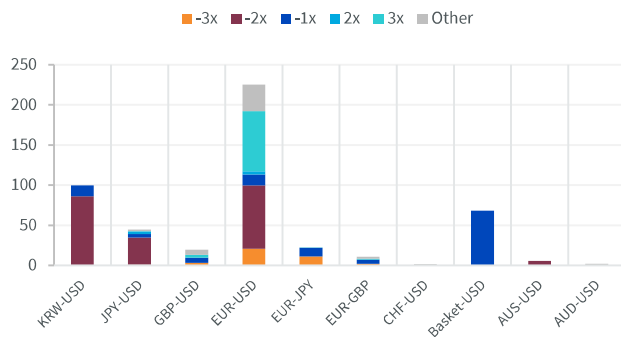
By currency exposure; As of 30<sup>th</sup> June 2020; Figures in USD Mil;  
Showing the top 10 AUM currency exposures

#### AUM

Showing currency exposures with the top 10 AUMs

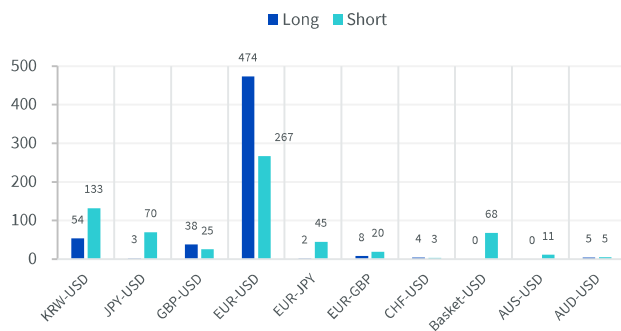


#### AUM by Leverage Factor



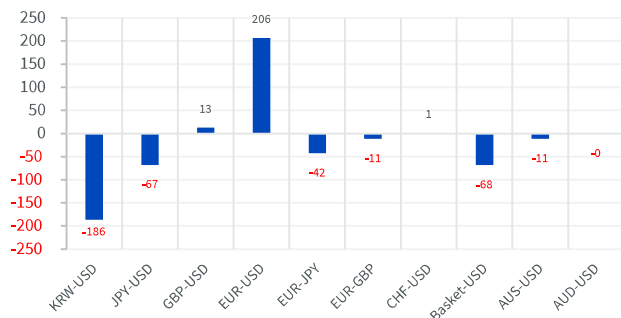
#### Notional AUM by Long / Short ETPs

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

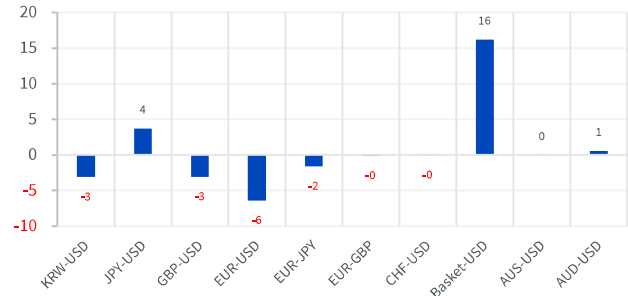
The notional AUM in long ETPs minus the notional AUM in short ETPs. A negative figure indicates investors have a net short, or net bearish position; a positive figure indicates net long or net bullish position



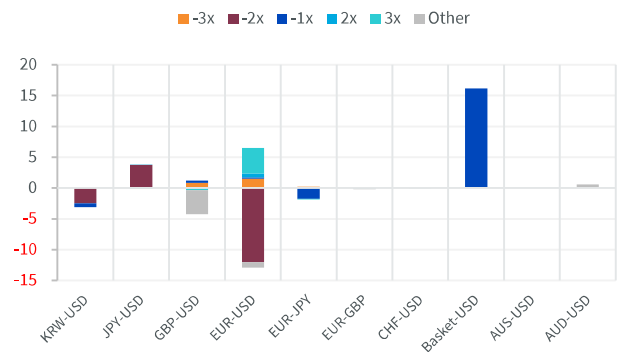
### June 2020 Flows

By currency exposure; Over June 2020; Figures in USD Mil;  
Showing the Flows for top 10 AUM currency exposures

#### Asset Flows

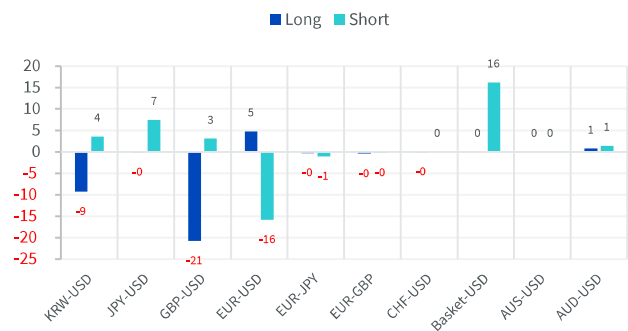


#### Asset Flows by Leverage Factor



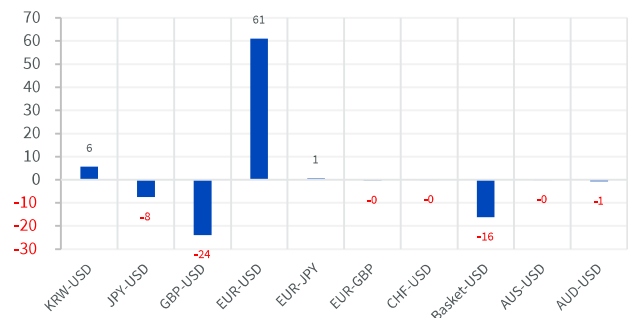
#### Notional Flows by Long / Short ETPs

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



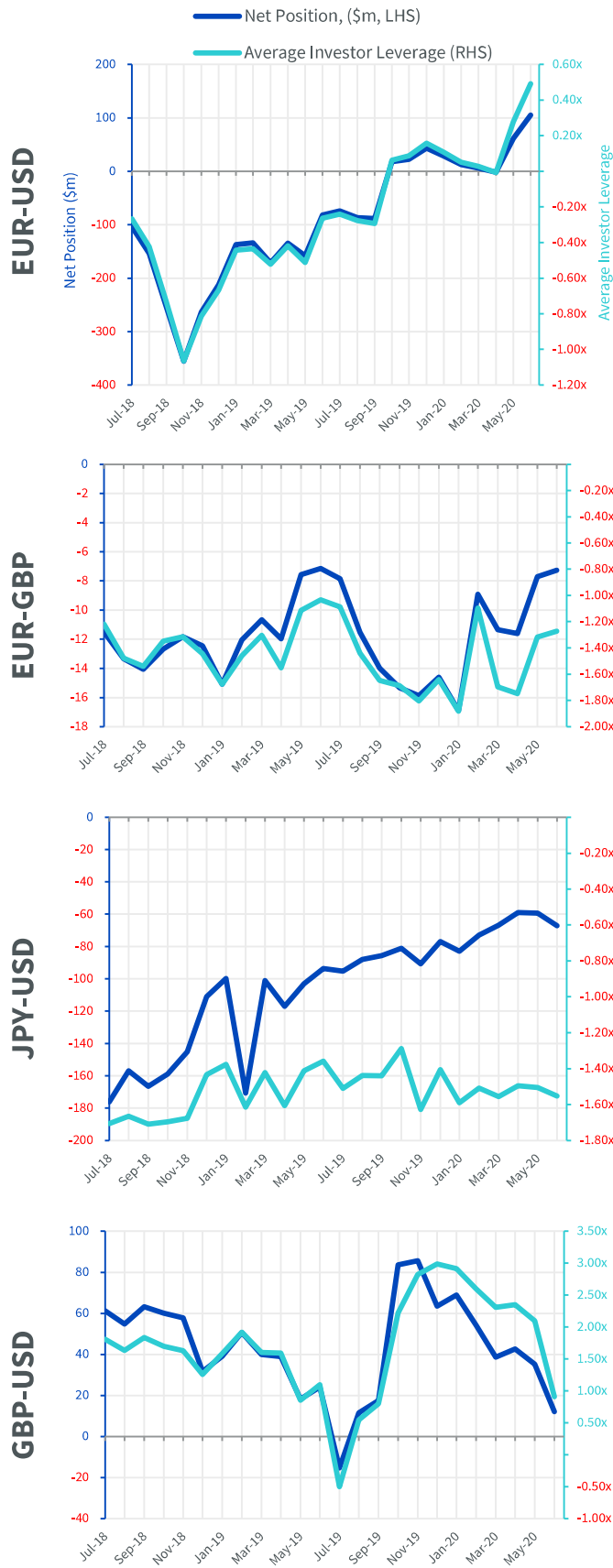
#### Net Position Flows

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

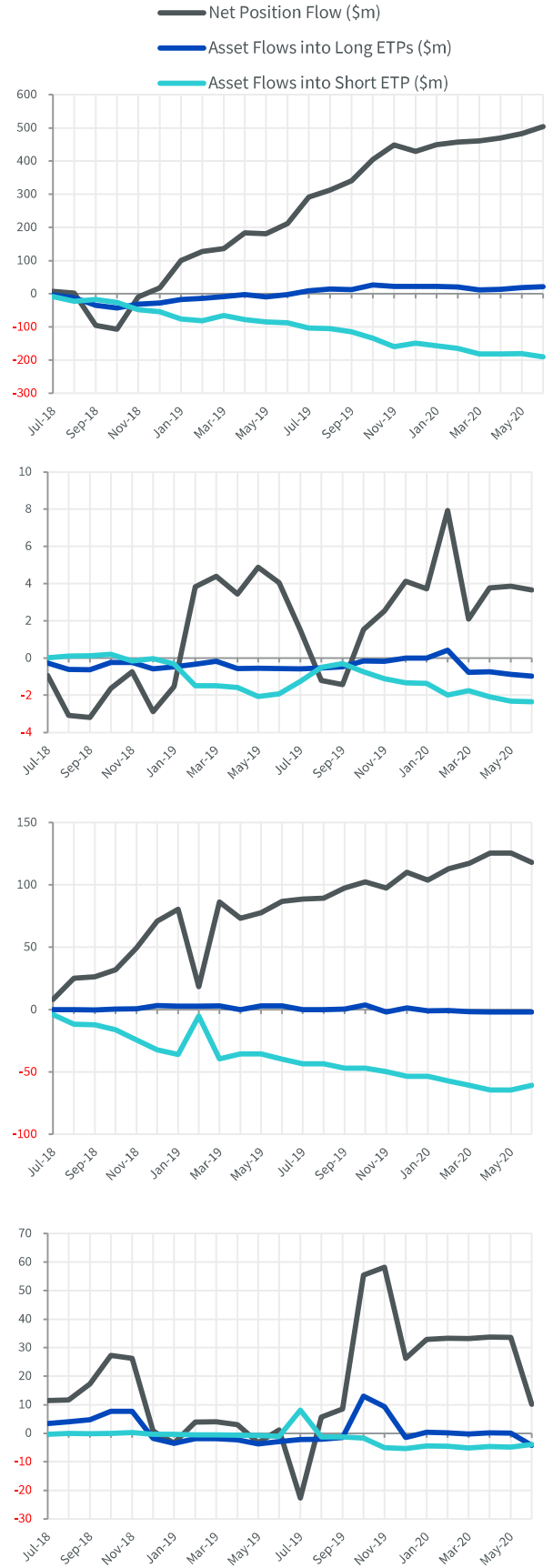


# Global Currencies - Historical View

## Net Position and Average Investor Leverage



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



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# 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 June 2020. 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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**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.**