WisdomTree Efficient Long/Short U.S. SmallCap Equity Fund

WSLS

The U.S. small-cap equity market remains among the most dynamic generators of long-term total returns. Decades of academic financial market research have investigated a phenomenon known as the "size premium," or the return advantage of small companies over long-term holding periods. Recent performance environments, however, have challenged the thesis. Small-cap underperformance has forced investors to underweight them, or neglect them entirely, in U.S. equity allocations—perhaps to their own detriment, as compelling opportunities still exist.

Small-cap markets are defined by owning winners and avoiding losers now more than ever. The next generation of small-cap equity investing requires maintaining market exposure while systematically tilting toward relative strength and away from weakness, because not all small caps are created equal. The **WisdomTree Efficient Long/Short U.S. SmallCap Equity Fund (WSLS)** seeks full participation in the market while enhancing return potential through a disciplined long/short small-cap equity overlay that aims to harness relative strength and avoid potential underperformers.

Strategic Framework: Market Core + Alpha[1] Overlay

This strategy is built on a simple yet powerful architecture:

- **Foundation: U.S. Small Cap Equities**
    - Represents broad, cap-weighted exposure to the U.S. small-cap market, serving as the return and risk anchor.
- **Overlay: Long/Short Relative Strength Basket**
    - A systematic long–short portfolio that uses over 150 equity features to identify companies with improving fundamentals and risk characteristics—going long those poised to strengthen and short those at risk of deteriorating.

The result is a portfolio designed to retain the small-cap equity market's core beta[2] while layering on an independent, lower-volatility engine of potential alpha.

[1] Alpha: Can be discussed as both risk-adjusted excess return relative to a specific benchmark or absolute excess return relative to a benchmark. It is sometimes more generally referred to as excess returns in general.
[2] Beta: A measure of the volatility of a security or a portfolio in comparison to a benchmark.

Structural Innovation: Targeting Return Asymmetry

The long/short basket seeks to exploit persistent behavioral inefficiencies in small caps, namely investor underreaction to improving fundamentals and overreaction to negative ones.

- **Dynamic Long Exposure:** Companies exhibiting rising relative strength supported by improving fundamentals.
- **Dynamic Short Exposure:** Companies exhibiting deteriorating performance and deteriorating fundamentals.
- **Neutral Market Beta:** The overlay is designed to generate return differentials that are additive and independent of broad market direction. The foundation is not short-term Treasuries or other cash-like instruments, but rather the U.S. small-cap index futures.

This systematic construct allows investors to participate in upside leadership while reducing exposure to chronic laggards, potentially smoothing returns through market cycles.

Capital Efficiency and Diversification Benefits

For every $100 invested:

- $100 tracks the performance of U.S. small-cap index futures (market beta).
- A capital-efficient long/short small-cap basket is layered on top, targeting an incremental risk-adjusted return stream.

This structure aims to improve risk-adjusted returns without necessitating a greater capital outlay.

Positioning: An Enhanced Small-Cap Allocation

Traditional core equity exposure captures market growth but not relative performance dispersion. This strategy integrates both:

- **Market Exposure:** Ensures participation in U.S. small-cap equity markets.
- **Systematic Alpha:** Seeks to exploit multi-factor performance spreads identified through a broad signal set.
- **Diversification:** Provides a complementary return stream that may perform in sideways or choppy markets.

It's designed as a replacement or enhancement for existing small-cap U.S. equity exposures, offering the possibility of incremental, compounding alpha over time.

Why WSLS

In an environment of high dispersion, shifting leadership and elevated volatility, investors benefit from approaches that combine broad participation with systematic differentiation. The strategy offers both:

- Participation in broad U.S. small-cap equity markets
- The potential for persistent alpha from identifying strength and avoiding weakness

It's not about betting against the small cap market—it's about enhancing how investors own it.

Conclusion

The **WisdomTree Efficient Long/Short U.S. SmallCap Equity Fund** brings together broad small-cap exposure with alpha-seeking intuition in a capital-efficient structure. Small-cap index futures provide the foundation, and the long/short overlay provides the edge. Together, they create a modern equity framework built for a small-cap market defined by dispersion—helping investors remain fully invested while seeking to capture more of what works and less of what doesn't.

Quick Facts	
Ticker	WSLS
Exchange	TXSE
Expense Ratio	0.88%
Fund Objective	Seeks total return by deploying a portion of investment assets between U.S. small cap equity futures and a dynamic long/short U.S. small cap equity overlay strategy
Benchmark	S&P 600 Index
Inception Date	10/8/2026

For more information on WSLS, contact your WisdomTree representative or visit WisdomTree.com/us.

Please see the WisdomTree Glossary for definitions of terms and indexes.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. For a prospectus or, if available, the summary prospectus containing this and other important information about the fund, call 866.909.9473 or visit WisdomTree.com/us. Read the prospectus or, if available, the summary prospectus carefully before investing.

There are risks associated with investing, including potential loss of principal.

The Fund invests in a basket of equity securities of small-capitalization U.S. companies generally weighted by market capitalization. The Fund expects to invest most of its assets in the securities of U.S. companies and is therefore, more likely to be impacted by events or conditions affecting the United States. The Fund invests in derivatives to gain exposure to U.S. equity securities. The return on a derivative instrument may not correlate with the return of its underlying reference asset. The Fund's use of derivatives will give rise to leverage. Derivatives can be volatile and may be less liquid than other securities. As a result, the value of an investment in the Fund may change quickly and without warning and you may lose money.

While the Fund is actively managed, the Fund's investment process is heavily dependent on quantitative models and the models may not perform as intended.

Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

You cannot invest directly in an index.

Additional information is available at WisdomTree.com/us.

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