WisdomTree Strategic Metals UCITS ETF - USD Acc

Sustainability-related disclosure

Summary

Inget mål för hållbara investeringar

Fonden främjar miljörelaterade egenskaper, men har inget mål för hållbara investeringar.

Den finansiella produktens miljörelaterade eller sociala egenskaper

Fonden främjar miljömålet att minska koldioxidutsläppen, främst genom att investera i råvaror (var och en för sig kallad en ”relevant råvara”) som är förknippade med energiomställningsteman, exempelvis elfordon, överföring, laddning, energilagring, sol, vind och vätgasproduktion. Det är nödvändigt att minska koldioxidutsläppen för att bekämpa påverkan från klimatförändringarna.

Investeringsstrategi

Fondens investeringsmål är att följa pris- och avkastningsutvecklingen, före avgifter och utgifter, för WisdomTree Energy Transition Metals Commodity UCITS Total Return Index (indexet).

Andel av investeringar

Fondens investeringar kommer att användas för att uppnå den miljörelaterade egenskap som främjas av fonden, att minska koldioxidutsläppen, genom att ge indirekt exponering mot indexet. Indexet följer resultatet för en diversifierad korg med råvaror som är förknippade med energiomställningsteman. Detta medför att minst 90 procent av fondens nettoandelsvärde (NAV) kommer att vara förenligt med de miljörelaterade egenskaper som främjas av fonden. Upp till 10 procent av fondens tillgångar kan investeras i kompletterande likvida tillgångar.

Övervakning av miljörelaterade eller sociala egenskaper

Fonden främjar de ovan beskrivna miljörelaterade egenskaperna genom syntetisk replikering av indexet. WisdomTree övervakar de miljörelaterade egenskaper som främjas av fonden vid tiden för varje ombalansering av indexet.

Metoder

De miljörelaterade egenskaper som främjas av fonden mäts med hjälp av data från indexleverantören samt en tredjepartsspecialist på energiomställningsbranschen

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Datakällor och databehandling

Fonden är en passivt förvaltad indexfond och uppnår de miljörelaterade egenskaper som främjas genom att följa indexet.

WisdomTree behandlar data från indexleverantören samt en tredjepartsspecialist på energiomställningsbranschen för att välja relevanta råvaror baserat på en poängprocess. Denna process används för att identifiera exponering och tillväxtmått för varje relevant råvara med användning inom energiomställningslösningar samt väljer och viktar de relevanta råvarorna enligt beskrivningen i indexmetoden i syfte att skapa ett urval av investeringar som uppfyller kraven.

Begränsningar för metoder och data

För att uppfylla fondens uttalade investeringsmål och placeringsinriktning förlitar sig WisdomTree på data från tredjepartsspecialist. Dessa data kan vara ofullständiga, felaktiga eller otillgängliga. Genom att fonden förlitar sig på tredjepartsspecialisters expertis för att välja relevanta råvaror kan det finnas en inneboende risk som är förknippad med fel i tredjepartsdata som kan förbli oupptäckta av WisdomTree eller indexleverantören. Det finns därmed en risk att indexleverantören eller tredjepartsspecialisten gör den felaktiga bedömningen att en relevant råvara är förknippad med energiomställningsteman. Detta kan medföra att en relevant råvara tas med i eller utesluts ur indexet och därmed också tas med i eller utesluts ur fondens portfölj.

Due diligence

WisdomTree utför due diligence med avseende på indexleverantören och jämförelseindexet innan fonden startas. Som en del av denna due diligence utvärderar WisdomTree indexmetoden för att bedöma om den kan uppnå det önskade investeringsutfallet och de miljörelaterade egenskaper som främjas av fonden.

Strategier för engagemang

WisdomTree utövar sin rösträtt och engagerar sig på ett konstruktivt sätt i investeringsobjekten via sina investeringsförvaltare, till vilka viss portföljförvaltningsverksamhet har outsourcats. Vid valet och övervakningen av investeringsförvaltarna säkerställer WisdomTree att investeringsförvaltarnas policyer för röstning och engagemang uppfyller de standarder som WisdomTree definierat.

Valt referensvärde

Indexet har valts som referensvärde för att uppfylla de miljörelaterade egenskaper som främjas av fonden. Information om indexet finns här.

No sustainable investment objective

This financial product promotes environmental characteristics but does not have as its objective sustainable investment.

The Fund does not commit to making sustainable investments.

Environmental or social characteristics of the financial product

The Fund promotes the environmental objective of reduction in carbon emissions generated, primarily by investing in Relevant Commodities that are associated with energy transition themes which includes, but are not limited to, electric vehicles, transmission, charging, energy storage, solar, wind and hydrogen production. Reduction in carbon emissions is necessary to combat the impact of climate change. Development of such products and services supports goals to action climate change and ensures access to affordable, reliable sustainable and modern energy for all.

By providing indirect exposure to an index of commodity futures associated with energy transition themes, as described in the Index methodology, the Fund may channel liquidity into the relevant commodity market(s) and may promote the accessibility of commodities associated with energy transition themes to investors.

The Index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental characteristic that it promotes.

Investment strategy

The investment objective of the Fund is to track the price and yield performance, before fees and expenses, of the Index. In order to do so, the Fund will employ a "passive management" (or indexing) investment approach to gain indirect exposure to the individual constituents of the Index, which are associated with energy transition themes.

The Fund will enter into Swap(s) with a counterparty which provide exposure to the performance of the Index. Such Swaps will either follow the Short Basket Swap Model, the Funded Swap Model or the Unfunded Swap Model as described in detail in the Prospectus. Under the Unfunded Swap Model, the Fund may exchange the return on a stream of cash flows, such as a US Treasury Bill return, with the swap counterparty in exchange for the return of the Index. Under the Short Basket Swap Model, substantially all cash which is not required to meet the Fund's operational, liquidity or ancillary requirements will be invested into a portfolio of equity securities, while the Swap exchanges the performance of the equity portfolio with the return of the Index. Where the Fund utilises the Funded Swap Model, substantially all cash received from the subscription of Shares will be transferred to the swap counterparty in accordance with the terms of the Swap in exchange for the return of the Index. The Fund may, in accordance with the investment policy set out in this Supplement and subject to the requirements of the Prospectus and the Central Bank, convert in whole or in part between the Short Basket Swap Model, the Funded Swap Model and the Unfunded Swap Model, where it considers such conversion to be in the best interests of its investors.

Counterparties are selected based on a range of financial, risk, reputational and other criteria, in accordance with the guidance of the Central Bank of Ireland.

Any residual cash held by the Fund for operational, liquidity or ancillary purposes, which is not invested in Swaps or (in the case of the Short Basket Swap Model) equity securities, will be invested in eligible money market instruments and/or short-term debt securities such as US Treasury Bills, short dated government backed securities and floating rate notes (such as debt securities with varying maturities), commercial paper and certificates of deposit, each of which, where relevant, will be of investment grade at the time of acquisition.

Proportion of investments

The Fund's investments will be used to attain the environmental characteristic promoted by the Fund of reduction in carbon emissions generated by gaining indirect exposure to the Index which tracks the performance of a diversified basket of commodities that are associated with energy transition themes. The Fund will achieve this objective through the use of swaps which provides the Fund with the performance of the Index. As a result a minimum of 90% of the Fund's NAV will align with the environmental characteristic promoted by the Fund.

Up to 10% of the Fund's assets may be invested in ancillary liquid assets in accordance with the UCITS Regulations or invested commodities which no longer meet the environmental criteria described above but will not be removed from the Index until the next Index rebalance. For more information, please see the Supplement for the Fund.

Monitoring of environmental or social characteristics

The Fund promotes the environmental characteristic outlined above (under the section "Environmental or social characteristics of the financial product") by synthetically replicating the Index. As such, WisdomTree will monitor the Fund's ability to track the Index in line with the investment strategy of the Fund. WisdomTree monitors the tracking error of the Fund throughout the lifecycle of the Fund to ensure it is within its limits published in the Supplement.

WisdomTree also monitors the Fund's adherence to the environmental characteristic it seeks to promote at each Index rebalance. Each Relevant Commodity receives an energy transition demand rating (the "Energy Transition Demand Rating") to measure the attainment of the environmental characteristic it promotes. The total ETDR of the Index (and by extension, the Fund) is calculated as the weighted average of the individual ETDR of each Relevant Commodity. The Energy Transition Demand Rating for each Relevant Commodity associated with the energy transition is used to measure the attainment of the environmental characteristic promoted by the Fund as further described under the section "Methodologies" below. It is expected that commodities with a higher Energy Transition Demand Rating have a relatively larger forward-looking impact on the energy transition. The Energy Transition Demand Rating forms part of the Index construction and is updated and monitored continuously in line with the Index methodology.

Methodologies

The environmental characteristic promoted by the Fund are measured using data from the Index Provider and a third-party specialist in the energy transition industry.

In order to measure the environmental characteristic promoted by the Fund, each Relevant Commodity receives an Energy Transition Demand Rating, which is calculated as the 3-year estimated consumption within energy transition divided by the current total consumption as further explained in the Index methodology. The higher the ETDR of a Relevant Commodity, the greater the anticipated contribution it will make to the goal of energy transition and, by extension, reduction of carbon emissions. The Index is weighted in favour of commodities with the highest ETDRs, in line with the methodology outlined immediately below and in the Index methodology.

The Energy Transition Demand Rating of a Relevant Commodity is calculated as its 3-year estimated consumption through its use in energy transition-related activities divided by current total consumption of the Relevant Commodity. In addition, each Relevant Commodity receives a market balance rating, which is calculated as the average of the estimated surplus or deficit supply of each Relevant Commodity divided by its annual total consumption over the previous 2 years (the “Market Balance Rating”). The Market Balance Rating takes into account the total consumption of the Relevant Commodity, not only the energy-transition related consumption. For each Relevant Commodity, the intensity rating is calculated as 2/3 of ETDR plus 1/3 of Market Balance Rating (the “Overall Intensity Rating”). The Index is weighted by the Overall Intensity Rating (i.e., the target weight of each metal reflects its proportional share based on the Overall Intensity Rating) subject to diversification and liquidity caps as further defined in the Index methodology.

Data sources and processing

The Fund is a passively managed index tracking fund and attains the environmental characteristic it promotes by tracking the Index. As such, WisdomTree uses Index composition data as provided by the Index provider to implement the investment strategy of the Fund. Data provided by the Index Provider is used to select Relevant Commodities based on a scoring process. This process identifies exposure and growth metrics for each Relevant Commodity and selects and weighs the commodities accordingly as set out in the Index methodology.

The Index as well as the Fund utilises the Energy Transition Demand Rating which is a model-based estimation that assesses the quantitative exposure and growth metrics for each Relevant Commodity within the usage in energy transition solutions as further described above.

Monitoring of the Index Provider is carried out annually as part of WisdomTree's enhanced oversight and due diligence processes. This due diligence includes evaluating methodologies adopted by the Index Provider to assess constituent securities, the sources of information that they use and the quality of the ESG data they provide.

Limitations to methodologies and data

To meet the stated investment objective and policy of the Fund, WisdomTree relies on data provided by the third-party specialist, which may be incomplete, inaccurate, or unavailable. The Index Provider also places reliance on third-party specialists’ expertise to select Relevant Commodities and as such there may be inherent risks associated with errors in third-party data which may not be detected by WisdomTree or the Index Provider.

As a result, there is a risk that the Index Provider or the third-party specialist may incorrectly assess a Relevant Commodity as being associated with energy transition themes. This may result in the incorrect inclusion or exclusion of a Relevant Commodity from the Index and therefore the portfolio of the Fund or an incorrect measurement of the environmental characteristic promoted by the Fund. WisdomTree seeks to mitigate this risk by obtaining data from reputable sources.

Please refer to the section above ""Data Sources and Processing"" and ""Due Diligence"" regarding internal controls to monitor constituent data.

Where a Relevant Commodity is identified as not meeting the environmental characteristic of the Fund, it will be removed from the Index at the next scheduled rebalance. The Fund may cease to meet its stated environmental characteristic between index rebalances until the Index is rebalanced back in line with the Index methodology, at which point the Fund will also be rebalanced in line with the Index.

Third-party specialists may have different business interests that could give rise to conflicts of interest when assessing the association of a Relevant Commodity with energy transition themes.

These limitations do not impact on the Fund's ability to achieve its objective of tracking the Index as the Fund utilises the index composition data disseminated by the Index Provider to attain the environmental characteristic that it promotes.

Due diligence

WisdomTree carries out initial and ongoing due diligence on the Index Provider and reference Index as well as other data providers prior to the launch of the Fund.

As part of this due diligence, WisdomTree assesses the Index methodology to determine whether it would achieve the desired investment outcome and environmental characteristic promoted by the Fund.

This evaluation includes the universe of eligible commodities and degree of coverage by third-party specialists in the energy transition industry.

Engagement policies

As a responsible investor, WisdomTree adopts an active ownership approach to promote better corporate behaviour in investee companies in terms of sustainability and management of Environmental, Social and Governance risks.

WisdomTree exercises voting rights and constructively engages with investee companies through its investment managers, to whom portfolio management activities are outsourced. In selecting and monitoring investment managers, WisdomTree ensures that voting and engagement policies of the Investment Managers match the standards defined by WisdomTree.

Further details on WisdomTree's proxy voting policy are available at https://www.wisdomtree.eu/en-gb/wisdomtree-investment-governance and on WisdomTree voting dashboard available at: https://www.wisdomtree.eu/en-ie/proxy-voting-dashboard.

Designated reference benchmark

The Index has been designated as a reference benchmark to meet the environmental characteristic promoted by the Fund.

The Index has been selected on the basis that it aligns with the environmental characteristic promoted by the Fund which is the reduction in carbon emissions generated, primarily by investing in Relevant Commodities that are associated with energy transition themes. Information on how the Index is aligned with the environmental characteristic promoted by the Fund, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the Index is calculated can be found here.