Debunking the Myths About Alternatives

WisdomTree ETFs

Investors who survived the 2008 credit crisis learned many lessons, but the most important one was that traditional asset allocation did not provide enough diversification. In times of market stress, stocks and bonds can become more highly correlated[1] and can move down together. Alternative investments, however, offer the potential to profit when markets are down and offer assets not correlated to stocks and bonds, helping provide the diversification investors need.

Institutional investors have used alternative investments for many years. And today, liquid alternative exchange-traded funds (ETFs) make these once exclusive investments available to individuals as well.

So why aren't more individual investors using them? Perhaps it's due to some of the myths surrounding them.

MYTH 1: THEY ARE EXPENSIVE

Traditionally, alternative investments required substantial minimums and charged significant performance AND management fees. Liquid alternative ETFs, however, have no investment minimums and low expense ratios as well (ordinary brokerage commissions apply).

MYTH 2: THEY ARE NOT LIQUID[2]

While many alternative investments have long lockup periods[3], liquid alternative ETFs can be bought and sold at any time during the trading day.

MYTH 3: DUE DILIGENCE IS CHALLENGING

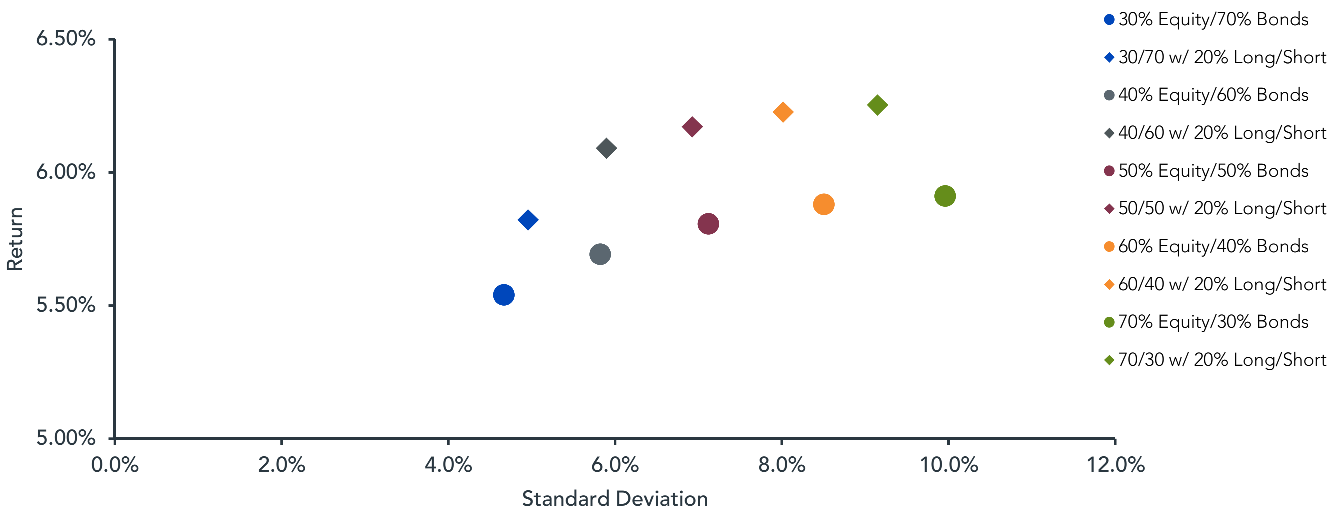
Many alternative investments disclose their holdings only a few times a year, if ever. Liquid alternative ETFs are completely transparent—enabling investors to know what the current holdings are and making it easier to access past holdings, understand performance drivers and compare funds more effectively.

[1] Correlation: Statistical measure of how two sets of returns move in relation to each other. Correlation coefficients range from -1 to 1. A correlation of 1 means the two subjects of analysis move in lockstep with each other. A correlation of -1 means the two subjects of analysis have moved in exactly opposite directions.
[2] Liquidity: The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets.
[3] Lockup period: A window of time during which investors are not allowed to redeem or sell shares.

MYTH 4: THE RISK/RETURN TRADE-OFF IS UNCLEAR

The term "alternative investments" can be confusing, as it encompasses both alternative asset classes such as commodities and real estate, and alternative strategies such as long/short and managed futures[4]. But the benefits of alternatives are generally quite clear. Their low correlations to other asset classes and sophisticated strategies can often provide the potential to profit from up markets, down markets and inflationary environments, all while seeking to reduce portfolio volatility[5]. In fact, adding a long/short strategy to various stock and bond portfolios, as seen in the chart below, improved the return for each portfolio mentioned and, for the equity portfolios, reduced risk (standard deviation).

FIGURE 1: LONG/SHORT STRATEGIES CAN IMPROVE RISK/RETURN TRADE-OFFS



Sources: WisdomTree, Bloomberg, Zephyr StyleADVISOR, 12/31/1998 – 6/30/2017. Start date was chosen based on data availability of Credit Suisse Long/Short Equity Index. Equity refers to S&P 500 Index and Bonds refer to Barclays U.S. Aggregate Index. The square boxes illustrate the impact of adding a 20% allocation to the Credit Suisse Long/Short Equity Index proportionately from the various blends. Past performance is not indicative of future results. You cannot invest directly in an index.

MYTH 5: ALTERNATIVES ARE BLACK-BOX

Alternative managers tend to guard their strategies quite fiercely and rarely let investors know about what decisions they are making. Liquid alternative ETFs, however, use rules-based, typically passive strategies that are completely transparent and are rebalanced on a regular basis.

[4] Long/short equity: An investing strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that areexpected to decline. Managed futures: An alternative investment strategy in which futures contracts are used as part of the investment strategy.
[5] Volatility: A measure of the dispersion of actual returns around a particular average level.

WISDOMTREE'S LIQUID ALTERNATIVE ETF SUITE

We believe investors should always maintain an allocation to alternatives. They can help provide more complete portfolio diversification, enhance returns and reduce portfolio risk. WisdomTree's suite of liquid alternative ETFs provide:

+ Diversification for traditional portfolios
+ Low fees (ordinary brokerage commissions apply)
+ Consistent, rules-based strategies with regular rebalancing
+ Full transparency of strategy and holdings
+ Intraday liquidity
+ No investment minimums
+ More beneficial tax treatment
+ And all the other benefits of ETFs

WisdomTree Dynamic Long/Short U.S. Equity ETF	WisdomTree Dynamic Bearish U.S. Equity ETF
A long/short strategy ETF, DYLS offers: • A dynamic hedge ratio* • Diversification through a long/short strategy • Potential to profit from both rising and falling markets • Potential to reduce risk and achieve higher returns	A long/short strategy ETF, DYB offers: • A dynamic hedge ratio • Diversification through a long/short strategy • Potential to significantly reduce risk in down markets
WisdomTree CBOE S&P 500 PutWrite Strategy ETF	**WisdomTree Managed Futures Strategy ETF**
An options strategy ETF, PUTW provides: • Access to an index developed by the Chicago Board Options Exchange (CBOE), a leader in option investing, in a publicly listed ETF • Potential for enhanced risk-adjusted returns compared to the S&P 500 Index or a similar covered call strategy • Ability to benefit from implied volatility typically being higher than realized volatility	Seeking to capitalize on many of the benefits of managed futures, WDTI offers: • Diversification through uncorrelated assets • Diversification through a long/short strategy • Potential to profit from both rising and falling markets • Potential to perform in long-term inflationary and deflationary environments

*Dynamic hedge ratio: refers to the percentage of risk that the index is seeking to mitigate at a particular point in time.

AT WISDOMTREE, WE DO THINGS DIFFERENTLY

We build our ETFs with proprietary methodologies, smart structures and/or uncommon access to provide investors with the potential for income, performance, diversification and more.

For more information or to invest in DYLS, DYB, PUTW, WDTI or any of our unique ETFs, contact your representative or call 866.909.WISE (9473).

Diversification does not eliminate the risk of experiencing investment losses. You cannot invest directly in an index.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Funds before investing. To obtain a prospectus containing this and other important information, please call 866.909.WISE (9473), or visit wisdomtree.com to view or download a prospectus. Investors should read the prospectus carefully before investing.

There are risks associated with investing, including possible loss of principal. The Funds invest in derivatives, including as a substitute to gain short exposure to equity securities. Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. Derivatives used by the Funds to offset their exposure to market volatility may not perform as intended. The Funds may engage in "short sale" transactions and will lose value if the security or instrument that is the subject of a short sale increases in value. A Fund that has exposure to one or more sectors may be more vulnerable to any single economic or regulatory development. This may result in greater share price volatility. The composition of the respective Index underlying each Fund is heavily dependent on quantitative models and data from one or more third parties, and the Index may not perform as intended. The Funds invest in the securities included in, or representative of, their Indexes regardless of their investment merit, and the Funds do not attempt to outperform their Indexes or take defensive positions in declining markets.

Some Funds will invest in derivatives, including S&P 500 Index put options ("SPX puts"). The value of the SPX puts in which PUTW invests is partly based on the volatility used by market participants to price such options (i.e., implied volatility). The options values are partly based on the volatility used by dealers to price such options, so increases in the implied volatility of such options will cause the value of such options to increase, which will result in a corresponding increase in the liabilities of the Fund and a decrease in the Fund's NAV. Options may be subject to volatile swings in price influenced by changes in the value of the underlying instrument. The potential return to a Fund is limited to the amount of option premiums it receives; however, a Fund can potentially lose up to the entire strike price of each option it sells. An investment in WDTI is speculative and involves a substantial degree of risk. One of the risks associated with the Fund is the complexity of the different factors that contribute to the Fund's performance, as well as its correlation (or noncorrelation) to other asset classes. These factors include use of long and short positions in commodity futures contracts, currency forward contracts, swaps and other derivatives.

WDTI should not be used as a proxy for taking long-only (or short-only) positions in commodities or currencies. The Fund could lose significant value during periods when long-only indexes rise (or short-only indexes decline). The Fund's investment objective is based on historic price trends. There can be no assurance that such trends will be reflected in future market movements. The Fund generally does not make intramonth adjustments and therefore is subject to substantial losses if the market moves against the Fund's established positions on an intramonth basis. In markets without sustained price trends or markets that quickly reverse or "whipsaw," the Fund may suffer significant losses. The Fund is actively managed; thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs. Please read each Fund's prospectus for specific details regarding each Fund's risk profile.

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