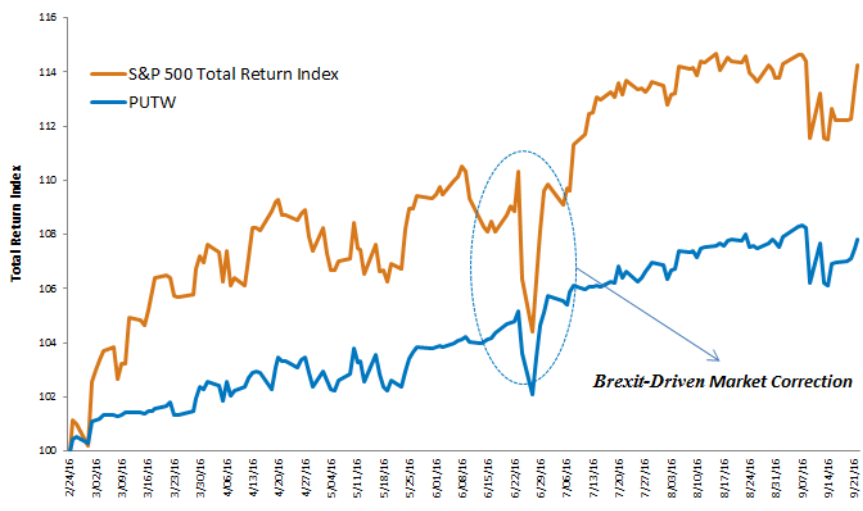


NAVIGATING A BUMPY INVESTMENT RIDE THROUGH AN ALLOCATION TO PUT WRITE

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Back in early March, I wrote about [how investors can help reduce the volatility of their equity portfolio](#) by implementing the [WisdomTree CBOE S&P 500 PutWrite Strategy Fund \(PUTW\)](#). Now that PUTW has completed six months of live performance, I want to revisit it to see whether it has served as a [volatility](#) reduction strategy. Below, I compare performance of PUTW (during a period of stress in the market during the Fund’s history) to the [S&P 500 Index](#). **A Bumpy Ride with Sudden Bouts of Volatility** It’s no secret that markets are prone to spurts of volatility, and even in most upward-trending periods there can be sudden bouts of uncertainty. In 2016, the S&P 500 continued to attain new heights; however, the ride has been anything but smooth. Just when markets started rallying in early 2016, driven by a U.S. Federal Reserve (Fed) that was reluctant to [hike rates](#) quickly, suddenly June brought heightened worries from across the Atlantic when Britain voted to leave the European Union (EU). [View a standardized performance of PUTW here.](#) **S&P 500 vs. PUTW 2/24/16—9/23/16**



Source: Bloomberg, as of 9/23/2016. Past performance is not indicative of future results. You cannot invest directly in an index.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at www.wisdomtree.com.

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

As volatility came back and equities corrected following [BrexIt](#), the S&P 500 lost 5.34% in a few days. Interestingly, PUTW suffered a correction of -2.95%. In other words, there was an outperformance of 239 [basis points \(bps\)](#)—a feature of this strategy that we earlier highlighted and was empirically evident in times when it was most needed! **S&P 500 vs. PUTW BrexIt Volume,**



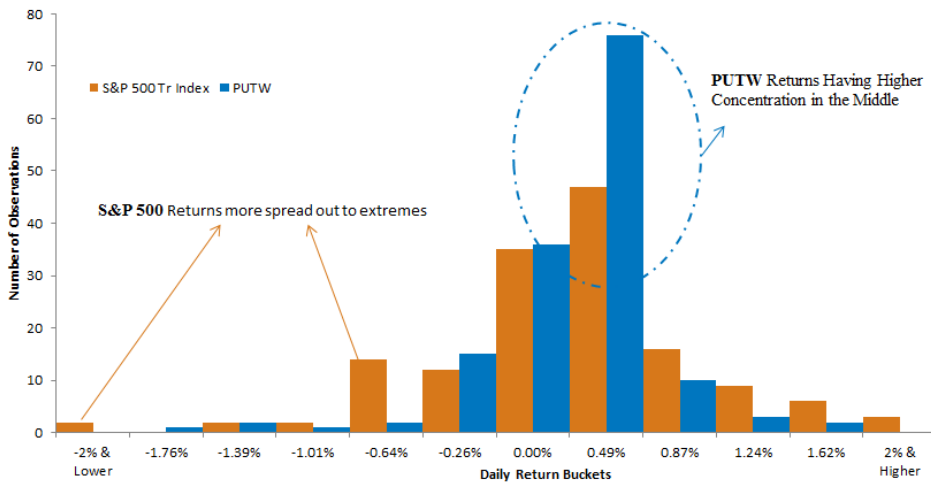
Source: Bloomberg, as of 09/23/2016. Past performance is not indicative of future results. You cannot invest directly in an index.

6/23/2016—6/24/2016

How about Overall Daily Returns? A Skeptical Risk Manager's Approach Was the Brexit outperformance merely a coincidence? There is another type of chart that is often used in risk management literature. Risk analysis often involves bucketing returns in various slots and counting the number of observations corresponding to each bucket or slot. If a strategy is less volatile, most of its returns should be concentrated in buckets closer to zero, while a more volatile strategy would see higher number of observations in return buckets that are more extreme or far away from zero. Risk managers call this chart the distribution of returns. The chart below compares the distribution of returns for the S&P 500 and PUTW. What we see is the following:

- PUTW returns in last six months were more concentrated in the middle (closer to zero in either direction)
- S&P 500 returns had wider variance, with certain days as high as +/-2% returns
- In contrast, PUTW did not have any days with greater than +/-2% return

Less Fat Tails of PUTW, Implying Better Protection for Investors (2/24/16—9/23/16)



Source: Bloomberg, as of 09/23/2016 Past performance is not indicative of future results. You cannot invest directly in an index.

More than anything else, markets hate uncertainty and, looking ahead, both the economic and political outlooks seem uncertain. Most certainly, the U.S. presidential election is providing uncertainty and the race has been close so far. The Fed's [monetary policy](#) has an element of indecisiveness, more so if the Fed chair, Janet Yellen, continues to internally debate "to be or not to be" a financial [dove](#) any longer. Internationally, Britain and the EU are negotiating trade agreements with each other as the two parties formalize their bitter divorce. All of this uncertainty suggests there will be increased volatility in the markets. Investors should not forget volatility when putting together their asset allocation. Navigating volatility is essential in order to help generate higher risk-adjusted returns. We believe PUTW could be a great complement to an equity allocation. So far, PUTW has shown the ability to lower volatility of traditional equity strategies as highlighted above, and we believe it could help investors' allocations by cushioning the ride whenever the investment road gets bumpy.

Unless otherwise noted, data source is Bloomberg, as of 9/23/2016.

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Diversification does not eliminate the risk of experiencing investment losses.

Using an asset allocation strategy does not assure a profit or protect against loss. Investors should consider their investment time frame, risk tolerance level and investment goals.

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You cannot invest directly in an index.

DEFINITIONS

Volatility : A measure of the dispersion of actual returns around a particular average level.

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the U.S., this generally refers to the Federal Funds Target Rate.

Brexit : an abbreviation of "British exit" that mirrors the term Grexit. It refers to the possibility that Britain will withdraw from the European Unio.

Basis point : 1/100th of 1 percent.

Monetary policy : Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Dovish : Description used when stimulation of economic growth is the primary concern in setting monetary policy decisions.