

Introducing the WisdomTree CBOE Russell 2000 PutWrite Strategy Fund

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Jeremy Schwartz, CFA

Global Chief Investment Officer

The Russell 2000 Index is one of the most widely followed indexes for U.S. small-cap stock market exposure. But when volatility rises or investors' return expectations get ratcheted down due to market valuations, investors search for ways to reduce equity volatility while maintaining exposure to their strategic asset classes.

We believe option-oriented investment strategies, like those in WisdomTree's first options strategy fund, the [WisdomTree CBOE S&P 500 PutWrite Strategy Fund \(PUTW\)](#), can play an important role in strategic asset allocations when investors are looking for alternative ways to reduce volatility other than changing stock selection and targeting low-volatility stocks from an asset class.

Now investors have a small-cap option to do that in one simple investment that can complement existing small-cap holdings.

The [WisdomTree CBOE Russell 2000 PutWrite Strategy Fund \(RPUT\)](#) seeks to track the price and yield performance, before fees and expenses, of the Cboe Russell 2000 PutWrite Index (PUTR).

Investment Strategy

RPUT invests in one-month Treasury Bills and sells or "writes" Russell 2000 Index put options. The number of put options sold is chosen to ensure full collateralization, meaning the total value of the Treasury account is expected to be equal to the maximum possible loss from the final settlement of the put options at expiration. In addition:

- Options are written "at the money," meaning the option's strike price is identical to the price of the underlying security.
- Options are written monthly, instead of quarterly or longer, to capture more gross premiums.
- The Fund uses European-style options, so they can be exercised only at maturity.

Potential for Less Risk than the Russell 2000

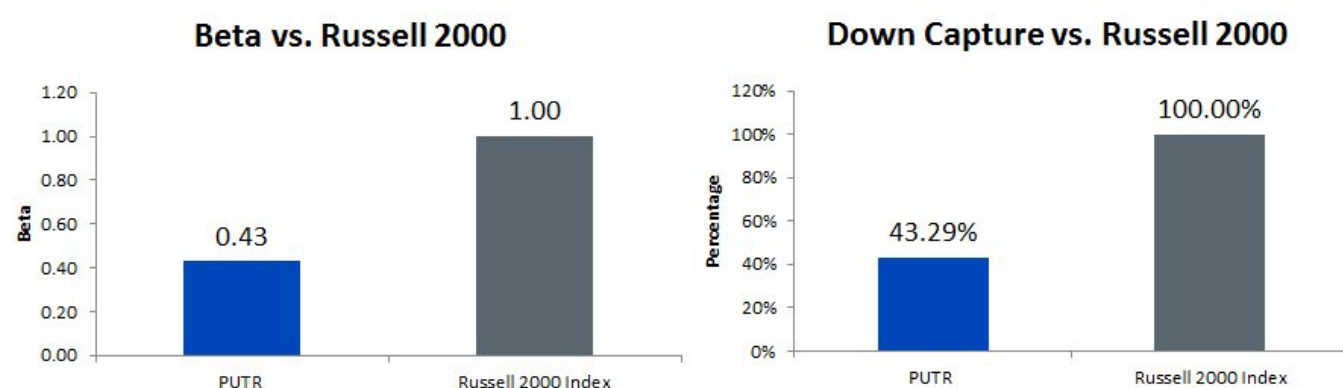
The premium income the Fund receives from selling puts can help mitigate the negative performance of an exposure to just the Russell 2000 Index. Historically, PUTR, the index RPUT tracks, had lower risk than the Russell 2000 over the period:¹

- PUTR provided 56% of the volatility of the Russell 2000.

- PUTR had only 43% down capture versus the Russell 2000 and a beta of less than .5.
- The last two years have been a historically low-volatility environment for the markets generally, with the two-year trailing volatility of the S&P 500 being 7.8%. The Russell 2000 and small caps generally tend to have higher volatility, at 14.21%.

o The PUTR index had a volatility level of 7.95%—much closer to volatility of the S&P 500 and significantly lower than the Russell 2000.

Risk and Return Statistics



	Return	Standard Deviation	Sharpe Ratio	Max. Drawdown	Vs. S&P 500 Index Benchmark			
					Up Capture	Down Capture	Alpha	Beta
CBOE Russell 2000 PutWrite Index	6.72%	7.95%	0.78	-9.73%	56.54%	103.96%	-2.74%	0.66
Russell 2000 Index	14.29%	14.21%	0.97	-13.38%	126.83%	211.00%	-7.35%	1.52
CBOE S&P 500 PutWrite Index	8.69%	4.49%	1.82	-5.04%	51.89%	40.87%	2.11%	0.44
S&P 500 Index	15.19%	7.81%	1.88	-6.59%	100.00%	100.00%	0.00%	1.00

Sources: WisdomTree, CBOE, Zephyr StyleADVISOR, for the period 11/30/15–12/31/17. Past performance is not indicative of future results. You cannot invest directly in an index. Standard deviation: measure of how widely an investment or investment strategy's return move relative to its average returns for an observed period. A higher value implies more risk, in that there is more of a chance the actual return observed is further away from the average return. Alpha: Measure of risk-adjusted performance that compares how the constituents move relative to a benchmark. Beta: Measure of the volatility of an index or investment relative to a benchmark. Sharpe ratio: Measure of risk-adjusted return. Higher values indicate greater return per unit of risk, specifically standard deviation, which is viewed as being desirable. Up/down capture: Measure of the performance of an investment relative to a benchmark index during an up/down market. Maximum drawdown: The maximum loss for an investment from peak to a trough before a new peak is attained.

You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

Calibrating Expectations

The PUTR Index has been around for only a short amount of time—approximately two years—during which the markets have been in a large, powerful move higher. The PUTR Index has a return profile that limits upside participation in powerful rallies due to the strategy of selling options and collecting the premium income only as the primary driver of return. If markets have more subdued gains going forward or volatility returns and increases the premium income reflected in the PUTR Index returns, a small-cap options strategy could become more important looking forward than it has been over the last two years.

To Summarize: Why Invest in RPUT?

- Put writing has been used by professional investors for decades as a solution to help increase the yield and lower the volatility of equity returns over various market cycles.
- The ability to benefit from implied volatility typically is higher than realized volatility.
- Premium income can help mitigate the negative performance of investing in the Russell 2000 Index alone.

¹Sources for bullets: WisdomTree, CBOE, Zephyr StyleADVISOR, for the period 11/30/15–12/31/17.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. The Fund will invest in derivatives, including Russell 2000 Index put options ("RUT Puts"). Derivative investments can be volatile, and these investments may be less liquid than securities, and more sensitive to the effects of varied economic conditions. The value of the RUT Puts in which the Fund 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 the Fund is limited to the amount of option premiums it receives; however, the Fund can potentially lose up to the entire strike price of each option it sells. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.