

Long or Short?

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Tripp Zimmerman, CFA

Director, Research

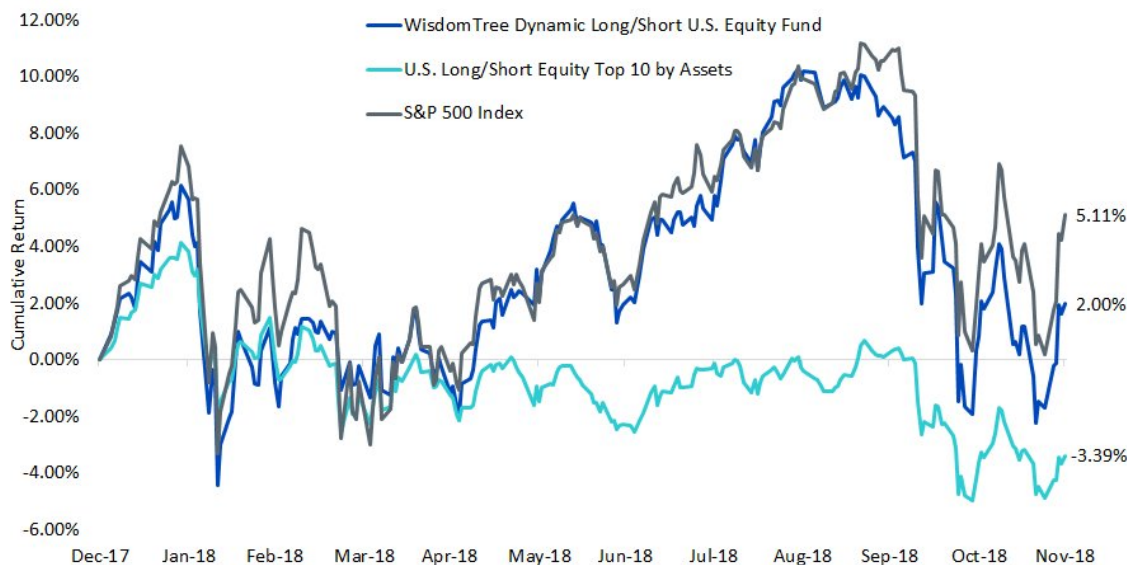
U.S. equity markets have delivered strong results this year, but those gains were quickly erased in October. With increased volatility, more investors are looking for ways to protect their portfolios.

Alternative strategies, such as long/short equity, can potentially help smooth out the returns at the extremes and limit drawdowns. Unfortunately, some of the largest traditional long/short managers have failed to deliver, even amid today's volatile market.

But one strategy may help add value during these turbulent times.

In the figure below, we compare the [WisdomTree Dynamic Long/Short U.S. Equity Fund \(DYLS\)](#) against the 10 largest competing funds in the Morningstar U.S. Long/Short Equity Category. As you can see, year-to-date, the average of the 10 largest funds by AUM has failed to add value in this period of heightened volatility.

Year-to-Date Performance



Sources: WisdomTree, Morningstar, for the period 12/31/17–11/30/18. Data based on nav daily returns. During the period the Morningstar Category average returned -1.77 %.

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.

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. WisdomTree, its affiliates and their independent providers are not liable for any informational errors, incompleteness or delays or for any actions taken in reliance on information contained herein.

For standardized performance of DYLS, please click [here](#).

DYLS adjusts net equity market exposure monthly, using hedging instruments; adjustments range from being fully invested (no hedge ratio applied) to fully market neutral (fully hedged).

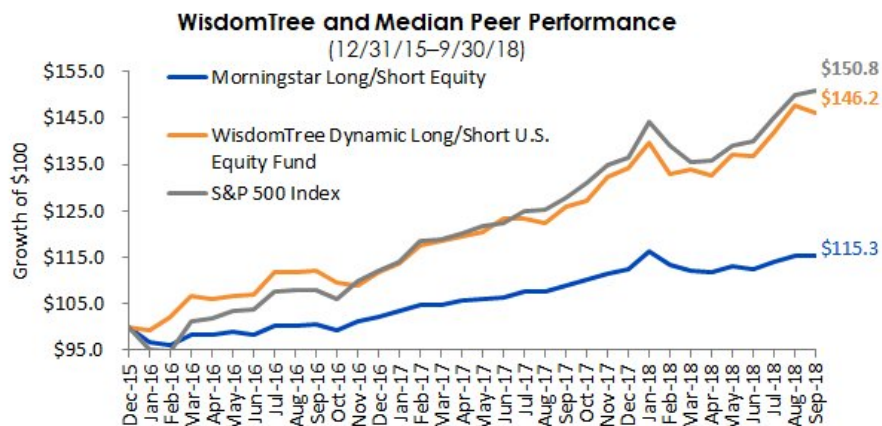
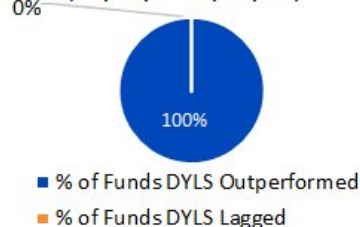
When underlying fundamentals are strong, there is no hedge ratio applied. When fundamentals become mixed, a partial hedge is applied, and when fundamentals are weak, a full market hedge seeks to protect investors from downdrafts in the equity market while still delivering excess returns through security selection. Our research leads us to anticipate the fund's net beta over time will likely average somewhere between 0.6 and 0.7.

With continued positive trends in corporate profits, DYLS has been mostly fully invested year-to-date. Although markets have been volatile, maintaining market risk so far has proven correct and as of the end of November has generated a positive return, even though the strategy has underperformed the [S&P 500 Index](#).

When comparing available category performance through the latest quarter-end, the Morningstar Category found it difficult to keep up with the S&P 500 Index and DYLS, underperforming by 11.9% and 10.1%, respectively. And some of the largest funds by assets in the category have not done as well as the Median Morningstar Category Performance.

Managing risk during a wild market is never easy. But we are encouraged that over the almost three-year period DYLS has been live, the Fund was able to beat 100%, as of September 30th, of the long/short funds in its peer group based on total return.

DYLS Percentage of Peers Outperformed (12/31/15–9/30/18)



Fund/Index/Category	Fund Information			Average Annual Total Returns as of 9/30/18									
				NAV Returns (%)					Market Price Returns (%)				
	Ticker	Exp. Ratio	Inception Date	1-Year	Common Period	3-Year	5-Year	10-Year	1-Year	Common Period	3-Year	5-Year	10-Year
WisdomTree Dynamic Long/Short U.S. Equity Fund	DYLS	0.48%	12/23/2015	16.1%	14.8%	N/A	N/A	N/A	16.1%	14.8%	N/A	N/A	N/A
S&P 500 Index				17.9%	16.1%	17.3%	14.0%	12.0%	17.9%	16.1%	17.3%	14.0%	12.0%
Morningstar Long/Short Equity				6.0%	5.3%	N/A	N/A	N/A	6.0%	5.3%	N/A	N/A	N/A

Sources: Morningstar, WisdomTree, for the period 12/31/15–9/30/18. "Common Period" refers to 12/31/15–9/30/18 due to availability of Morningstar Category performance data; 12/23/15 is the DYLS inception date. Returns since inception as of 9/30/18 were 14.61% for NAV and 14.61% for market price. 216 investments included in the peer group for the Morningstar Long/Short Equity Category.

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.

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Important Risks Related to this Article

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