

# DISTRIBUTION CLARITY: MAKING SENSE OF ROC AND INCOME IN WTPI

## Key Takeaways:

- WisdomTree Equity Premium Income Fund's (WTPI's), distribution history offers a clear, real-world example of how return of capital can reflect temporary income shortfalls—not a flaw in strategy or fund quality.
- Understanding the mix between ordinary income and return of capital in WTPI helps investors decode how market conditions impact the Fund's ability to deliver its targeted payouts.
- For income-focused investors, WTPI demonstrates why evaluating fund distributions requires more than just tax labels—what matters most is the consistency and source of real returns.

## THE COMMON MISCONCEPTION ON RETURN OF CAPITAL DISTRIBUTIONS

Ask an average investor about the significance of return of capital (ROC) distributions, and you're likely to hear concern. Some might assume that if a fund is returning capital, it is returning their own money (*i.e.*, return of principal) rather than generating genuine income. It can be helpful to fully understand the tax character of fund distributions as a critical aspect of managing after-tax wealth. And return of capital, when properly understood, is often a feature—not a flaw.

## THE MECHANICS OF RETURN OF CAPITAL

Every year, funds report the tax character of their distributions—whether they're dividends, capital gains or return of capital—on IRS Form 1099-DIV.

Return of capital, like dividends or capital gains, is simply a tax classification, not an economic judgment. It simply means that the distribution is not taxable in the current year. Instead, it reduces your cost basis, potentially deferring taxation until you sell the fund. That delay in tax liability, especially when it shifts income away from ordinary rates toward long-term capital gains, can be beneficial.

*However, it should be noted that there can still be tax implications at the time the fund is sold, even if it is sold as a loss.*

## WHAT REALLY MATTERS: CHANGE IN NAV

Imagine two funds. Both start the year at \$10 per share. Fund A earns a 5% return and distributes 7%. Fund B earns 9% and also distributes 7%. In the first case, the fund's NAV drops by 2%. In the second, it rises by 2%.

Fund A labels its distribution as “qualified dividends,” while the distribution for Fund B is labeled as return of capital.” Going back to the common misconception, one might think Fund A is income-producing and Fund B is returning capital. But economically, Fund B is the stronger performer.

We encourage investors to ask the question: Did the fund's NAV increase or decrease, net of distributions? Or asked in another way — did the fund's total return for the period exceed or fall short of the distribution rate (inclusive of any ROC distributions)? That answer—not the distribution label for tax purposes—tells you whether a fund earned its payout.

## RETURN OF CAPITAL CAN BE A SMART STRATEGY

In some cases, ROC can be strategic. A tax-efficient equity strategy may sell losing positions to offset gains, resulting in net capital losses even in an otherwise successful year. This enables the fund to distribute cash to shareholders—cash supported by underlying gains—while classifying the distribution as return of capital. The investor benefits twice: from real returns and tax deferral.

This approach can be especially powerful in certain fund structures. Real Estate Investment Trusts (REITs)<sup>1</sup> and Master Limited Partnerships (MLPs)<sup>2</sup>, with high depreciation, often show non-cash expenses that lead to ROC. But ROC also shows up in equity portfolios that actively manage taxable gains. At WisdomTree, we incorporate these tools not as afterthoughts, but as part of the core strategy in several of our equity income and total return portfolios.

<sup>1</sup> A Real Estate Investment Trust (REIT) is a company that owns, operates, or finances income-producing real estate, allowing investors to earn dividends without directly owning properties.

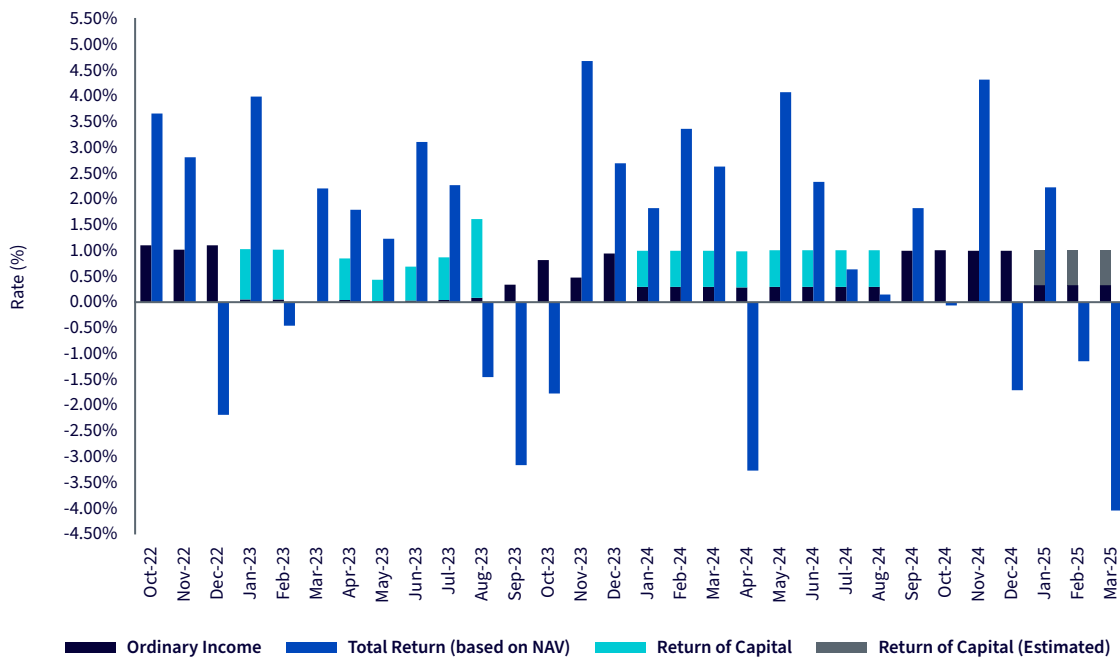
<sup>2</sup> A Master Limited Partnership (MLP) is a publicly traded business structure combining partnership tax benefits with stock-like liquidity, typically used in energy and natural resource sectors to distribute income to investors.

## WHAT WTPI'S DISTRIBUTION HISTORY TELLS US ABOUT ITS OPTIONS-BASED INCOME STRATEGY

Understanding the tax character of fund distributions can reveal a lot about how a strategy is performing relative to its objectives. For the **WisdomTree Equity Premium Income Fund (WTPI)**, which seeks to deliver a steady income stream by selling put options on the S&P 500 Index and investing the proceeds in U.S. Treasuries, the distribution history offers a window into both market conditions and the structure of the income engine itself.

The following chart and table track the monthly distribution rates from October 2022 through March 2025 as compared to the total return (based on NAV) for WTPI. The strategy is targeting a distribution level close to 1% per month, or roughly 12% annually. That objective is fundamental to WTPI's design—not just as an income product, but as a systematic options-writing strategy with a predictable payout framework.

Figure 1: Monthly Distribution Rates (not annualized) Compared to 1-month Total Return



Source: WisdomTree.

Figure 2: Distribution Rates (based on NAV, not annualized)

Month	Ordinary Income	Return of Capital	Total Distribution	Total Return (based on NAV)
Oct-22	1.10%	0.00%	1.10%	3.65%
Nov-22	1.02%	0.00%	1.02%	2.81%
Dec-22	1.11%	0.00%	1.11%	-2.18%
Jan-23	0.05%	0.97%	1.02%	3.99%
Feb-23	0.05%	0.96%	1.02%	-0.46%
Mar-23	0.00%	0.00%	0.00%	2.20%
Apr-23	0.05%	0.80%	0.85%	1.79%
May-23	0.02%	0.41%	0.43%	1.23%
Jun-23	0.04%	0.65%	0.68%	3.10%
Jul-23	0.05%	0.83%	0.87%	2.27%
Aug-23	0.09%	1.53%	1.61%	-1.45%
Sep-23	0.34%	0.00%	0.34%	-3.16%
Oct-23	0.82%	0.00%	0.82%	-1.77%
Nov-23	0.48%	0.00%	0.48%	4.67%
Dec-23	0.95%	0.00%	0.95%	2.69%
Jan-24	0.29%	0.70%	0.99%	1.82%
Feb-24	0.29%	0.70%	0.99%	3.36%
Mar-24	0.29%	0.70%	0.99%	2.63%
Apr-24	0.29%	0.69%	0.98%	-3.26%
May-24	0.30%	0.71%	1.00%	4.07%
Jun-24	0.30%	0.71%	1.01%	2.33%
Jul-24	0.30%	0.71%	1.00%	0.64%
Aug-24	0.30%	0.71%	1.00%	0.15%
Sep-24	1.00%	0.00%	1.00%	1.83%
Oct-24	1.01%	0.00%	1.01%	-0.06%
Nov-24	0.99%	0.00%	0.99%	4.32%
Dec-24	1.00%	0.00%	1.00%	-1.71%
Jan-25	0.32%	0.68%	1.00%	2.23%
Feb-25	0.33%	0.68%	1.01%	-1.14%
Mar-25	0.32%	0.68%	1.00%	-4.04%
<b>Cumulative</b>	<b>13.48%</b>	<b>13.82%</b>	<b>27.30%</b>	<b>37.03%</b>

Source: WisdomTree. *Tax character for 2025 distributions is estimated.*

For the brief period from October 2022 through December 2022, WTPI made distributions to shareholders totaling approximately 3.23% (unannualized) comprised entirely of ordinary income. Compared to the Fund's total return based on NAV for that period, which was +4.24%, the Fund is said to have "earned" the distributions since the Fund's total return exceeded the distribution amount.

For the calendar year ended 2023, WTPI made distributions totaling 9.07% comprised of ordinary income of 2.93% and distributions designated as a tax return of capital of 6.14% representing approximately 68% of the total distribution. Compared to the Fund's total return based on NAV for the same period, which was +15.83%, shareholders received the economic benefit of receiving cash distributions supported by Fund total returns while deferring taxes on 68% of the distributions that were designated as a tax return of capital.

For the calendar year ended 2024, WTPI made distributions totaling 11.98% comprised of ordinary income of 6.35% and distributions designated as tax return of capital of 5.63% representing approximately 47% of the total distribution. Compared to the Fund's total return based on NAV for the same period, which was +17.02%, shareholders received the economic benefit of receiving cash distributions supported by Fund total returns while deferring taxes on 47% of the distributions that were designated as a tax return of capital.

For the brief period from January 2025 through March 2025, WTPI made distributions to shareholders totaling approximately 3.01% (unannualized). While the tax character for 2025 distributions has not yet been determined, we have estimated that the distributions during this period to be comprised of 0.97% ordinary income and 2.04% of tax return of capital representing approximately 68% of the total distribution. Compared to the Fund's total return based on NAV for that period, which was -3.02%, a shareholder who purchased shares of the Fund on January 1, 2025 would have experienced an economic "return of principal" in this scenario as the Fund's total return fell short of the distribution amount during this period.

For the entire period from October 2022 through March 2025, WTPI made distributions totaling 27.30% comprised of ordinary income of 13.48% and distributions designated as tax return of capital (including estimated tax returns of capital) of 13.82% representing approximately 51% of the total distribution. Compared to the Fund’s total return based on NAV for the same period, which was +37.03%, shareholders received the economic benefit of receiving cash distributions supported by Fund total returns while deferring taxes on approximately 51% of the distributions that were designated as a tax return of capital.

This is an important signal.

In the context of WTPI, ROC is not being used intentionally to defer taxes or enhance tax efficiency. Rather, it highlights the concept difference between a “return of capital” (a tax concept) versus a “return of principal” (an economic concept). A tax return of capital simply refers to that portion of the distributions paid by the Fund which are nontaxable under IRS rules. A tax return of capital could be due to a variety of reasons including that the strategy was unable to generate sufficient option premium and interest income to fully support the targeted 1% monthly distribution but it could also be due to historical capital losses embedded in the Fund that are being carried forward indefinitely until used to offset future capital gains (or a combination of these factors). Instead of adjusting the distribution downward in real time, the Fund maintained its payout level—leading to ROC classification under tax rules. However, on an economic basis for the period shown from October 2022 through March 2025, the Fund’s cumulative total return based on NAV of +37.03% was more than sufficient to support the Fund’s total distributions of 27.30% which, on an economic basis, did not result in a “return of principal”.

## INTERPRETING THE DISTRIBUTION MIX IN WTPI

For investors, the presence or absence of return of capital in WTPI isn’t a judgment on Fund quality—it’s a reflection of market-driven income realities. When volatility is compressed, options premiums shrink, making it harder to generate high monthly income. WTPI’s approach is to maintain distribution consistency even through those periods, which occasionally requires drawing from ROC to meet the target.

In this light, ROC in WTPI isn’t a red flag—but it does function as a performance signal. It tells us the market environment made premium collection challenging in that month. When ordinary income dominates, it signals strength and alignment with the strategy’s core income engine.

WTPI is not managing its tax character—it’s managing toward a stable, monthly income target, powered by a systematic options overlay and Treasury collateral. Understanding the distribution composition helps investors calibrate expectations. Return of capital isn’t a gimmick—it’s a marker of how hard the market made it to achieve the goal in that moment.

Over time, the strategy has largely delivered on its goal of generating an income premium. And the blend of distribution types offers a transparent window into how market conditions influence outcome—even within a rules-based framework.

Figure 3: WTPI Performance, Average Annual Total Returns as of 6/30/2025

WisdomTree Fund/Benchmark	Ticker	Expense Ratio	Inception Date	1-YR	3-YR	5-YR	10-YR	Since Inception
WisdomTree Equity Premium Income Fund (NAV)	WTPI	0.44%	2/24/16	8.16%	10.57%	11.84%	N/A	7.64%
WisdomTree Equity Premium Income Fund (Price)				8.10%	10.57%	11.86%	N/A	7.63%
S&P 500 Index				15.16%	19.71%	16.64%	N/A	15.30%
Cboe S&P 500 PutWrite/Volos US Large Cap Target 2.5% PutWrite Spliced Index				9.02%	11.75%	12.81%	N/A	8.40%

The Fund’s SEC Yield as of 8/5/2025 was 3.92%. Performance of less than one year is cumulative. 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 [wisdomtree.com/investments](http://wisdomtree.com/investments).** 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 4:00pm 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. Cboe S&P 500 PutWrite/Volos US Large Cap Target 2.5% PutWrite Spliced Index – The Cboe S&P 500 PutWrite Index through October 24th, 2022; Volos US Large Cap Target 2.5% PutWrite Index thereafter.

**[WisdomTree.com/investments](http://WisdomTree.com/investments)**

## Index Definitions

The **S&P 500 Index** is a capitalization-weighted index of 500 stocks selected by the Standard & Poor's Index Committee designed to represent the performance of the leading industries in the U.S. economy.

The **Cboe S&P 500 PutWrite Index** is a benchmark index that measures the performance of a hypothetical portfolio that sells S&P 500 Index put options against collateralized cash reserves held in a money market account.

The **Volos US Large Cap Target 2.5% PutWrite Index** (VULPW25 or the Index) tracks the performance of a systematic collateralized PutWrite strategy. At any point in time the strategy has two short put options on SPDR® S&P 500® ETF Trust, with different expiration dates, and a collateral account that accrues interest at a theoretical Treasury Bill rate on a daily basis.

The Cboe S&P 500 PutWrite Index is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and Cboe and has been licensed for use by WisdomTree. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademarks Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by WisdomTree. Cboe® is a trademark of the Chicago Board Options Exchange, Incorporated, and has been licensed for use by SPDJI and WisdomTree. The WisdomTree CBOE S&P 500 PutWrite Strategy Fund is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates or the Chicago Board Options Exchange, Incorporated, and none of such parties make any representation regarding the advisability of investing in such product(s), nor do they have any liability for any errors, omissions or interruptions of the Cboe S&P 500 PutWrite Index.

## IMPORTANT INFORMATION

Please see the **WisdomTree Glossary** for definitions of terms and indexes.

**This information must be preceded or accompanied by a prospectus or, if available, the summary prospectus. We advise you to consider the Fund's objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus contains this and other important information about the Fund. Read the prospectus or, if available, the summary prospectus carefully before you invest. Call 866.909.WISE (9473) or go to [WisdomTree.com/investments](https://www.wisdomtree.com/investments) for more information.**

**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 <https://www.wisdomtree.com/investments>.**

The Fund's name, ticker and investment policy changed effective April 4, 2025. Prior to that date, the Fund was known as the WisdomTree PutWrite Strategy Fund (PUTW). Prior to October 24, 2022, the WisdomTree PutWrite Strategy Fund was named the WisdomTree CBOE S&P 500 PutWrite Strategy Fund, and Fund performance reflects the investment objective of the Fund when it was the WisdomTree CBOE S&P 500 PutWrite Strategy Fund and tracked the performance, before fees and expenses, of the Cboe S&P 500 PutWrite Index.

Neither WisdomTree, Inc., nor its affiliates, nor Foreside Fund Services, LLC, nor its affiliates provide tax advice. All references to tax matters or information provided here are for illustrative purposes only and should not be considered tax advice and cannot be used for the purpose of avoiding tax penalties. Investors seeking tax advice should consult an independent tax advisor.

The Fund will invest in derivatives, including writing (i.e., selling) put options on the SPDR S&P 500 Index ("SPY 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. All SPY Puts are exchange-listed, standardized options. The SPY Puts are selected to target a premium of 2.5%. The SPY Puts sold by the Fund may have an imperfect correlation to the returns of the Index. Although the Fund collects premiums on the SPY Puts it writes, the Fund's risk of loss if the price of SPY falls below the strike price and the SPY Puts are exercised as of the roll date may outweigh the gains to the Fund from the receipt of such option premiums. The sale of cash-secured SPY Puts serves to partially offset a decline in the price of SPY to the extent of the premiums received. 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. By virtue of its put option sales strategy, Fund returns will be subject to an upside limitation on returns attributable to SPY, and the Fund will not participate in gains beyond such upside limitation. The Fund's investment strategy is subject to risks related to rolling. To the extent the Fund's portfolio managers are unable to roll the SPY Puts as described in the Fund's principal investment strategy, the Fund may be unable to achieve its investment objective. 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.

WisdomTree Funds are distributed by Foreside Fund Services, LLC. Foreside Fund Services, LLC, is not affiliated with the entities mentioned.

© 2025 WisdomTree, Inc. "WisdomTree" is a registered mark of WisdomTree, Inc.