Investors who survived the 2008 credit crisis learned many lessons, but the most important one was that traditional asset allocation does not always 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 assets not correlated to stocks and bonds, helping provide the diversification investors need and the potential to profit when markets are down.

Institutional investors have used alternative investments for many years. And today, liquid alternative exchange-traded funds (ETFs) make these once exclusive investments available to individual investors 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 generally lower expenses 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, however, are completely transparent. They enable investors to know what the daily holdings are and make it easier to access past holdings, understand performance drivers and compare funds more effectively since traditional alternative investments may not disclose their positions as frequently.

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\(^1\) 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\(^4\) and real estate, and alternative strategies such as long/short and managed futures\(^5\). 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\(^6\). 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).

Sources: WisdomTree, Bloomberg, Zephyr StyleADVISOR, 12/31/1998–12/31/2019. 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 Bloomberg Barclays U.S. Aggregate Bond 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. 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.

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\(^4\) Investments in commodities are generally volatile and are not suitable for all investors.

\(^5\) Long/short equity: An investing strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. Managed futures: An alternative investment strategy in which futures contracts are used as part of the investment strategy and may not be suitable for all investors.

\(^6\) Volatility: A measure of the dispersion of actual returns around a particular average level.
**MYTH 5: ALTERNATIVES ARE BLACK-BOX**

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

**WisdomTree’s LIQUID ALTERNATIVE ETF SUITE**

We believe investors should consider 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 seek to 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 than allocations without alternatives
- And all the other benefits of ETFs

<table>
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<th>WisdomTree CBOE S&amp;P 500 PutWrite Strategy Fund</th>
<th>WisdomTree Managed Futures Strategy Fund</th>
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<td>An options strategy ETF, PUTW provides:</td>
<td>Seeking to capitalize on many of the benefits of managed futures, WTMF offers:</td>
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<tr>
<td>+ Access to an index developed by the Chicago Board Options Exchange (CBOE), a leader in option investing, in a publicly listed ETF</td>
<td>+ Diversification through uncorrelated assets</td>
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<tr>
<td>+ Potential for enhanced risk-adjusted returns compared to the S&amp;P 500 Index or a similar covered call strategy</td>
<td>+ Diversification through a long/short strategy</td>
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<td>+ Ability to benefit from implied volatility typically being higher than realized volatility</td>
<td>+ Potential to profit from both rising and falling markets</td>
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<th>WisdomTree Dynamic Long/Short U.S. Equity Fund</th>
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<td>A long/short strategy ETF, DYLS offers:</td>
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<td>+ A dynamic hedge ratio*</td>
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*Dynamic hedge ratio: refers to the percentage of risk that the index is seeking to mitigate at a particular point.
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.

At WisdomTree, we do things differently. We build our ETFs with proprietary methodologies, smart structures and uncommon access to provide investors with the potential for income, performance, diversification and more.

For more information about DYLS, PUTW or WTMF, contact your WisdomTree representative or visit WisdomTree.com.
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 866.909.9473, 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. An investment in WTMF is speculative, involves a substantial degree of risk and should not constitute an investor’s entire portfolio. WTMF 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. WTMF is actively managed; thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager.

Some 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 a Fund to offset its exposure to market volatility may not perform as intended. PUTW will invest in derivatives, including S&P 500 Index put options (“SPX puts”). The value of the SPX puts in which a Fund invests is partly based on the volatility used by market participants to price such options (i.e., implied volatility). 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. 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. The Funds should not be used as a proxy for taking long-only (or short-only) positions in commodities or currencies. The Funds could lose significant value during periods when long-only indexes rise (or short-only indexes decline).

A Fund that has exposure to one or more sectors may increase the Fund’s vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Certain 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. Due to the investment strategy of the Funds, they may make higher capital gains distributions than other ETFs. Please read each Fund’s prospectus for specific details regarding each Fund’s risk profile.

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The CBOE S&P 500 PutWrite Index: Measures the performance of a hypothetical portfolio that sells S&P 500 Index (SPX) put options against collateralized cash reserves held in a money market account. The PUT strategy is designed to sell a sequence of one-month, at-the-money S&P 500 Index puts and invest cash at one- and three-month Treasury Bill Rates. The number of puts sold varies from month to month but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the SPX puts.

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