

GTR: THE YEAR IN REVIEW

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Not that you need a reminder, but 2022 has been one of the most [volatile](#) years on record. With most major equity indexes in [bear market](#) territory, investors have struggled to find relief from the pressure of rising [interest rates](#) and record [inflation](#) stubbornly weighing on markets.

Cratering markets require creative solutions to keep portfolios afloat, which is why now is an opportune time to revisit the [WisdomTree Target Range Fund \(GTR\)](#), one year after its launch.

Option Mechanics: A Quick Refresher

In October 2021, in collaboration with Valmark, we introduced [GTR](#) as a potential solution for market volatility. More importantly, we attempted to address one of investing's most fundamental concerns: how to attempt to limit downside exposure during steep sell-offs while retaining as much upside potential as possible during market rallies.

[GTR](#) is an options-based strategy that seeks to provide capital appreciation while attempting to hedge risk in equity markets through bull call option spreads. The options purchased and sold are both 15% [in-the-money \(ITM\)](#) and [out-of-the money \(OTM\)](#), completing a spread strategy that attempts to deliver performance for the year ahead in a prespecified "target range." The ETFs underlying the options provide exposure to U.S. [large-](#) and [small-cap](#), international, and [emerging markets](#) equities in the following proportions:

ETFs underlying GTR's Options

Ticker	Fund Name	Equity Market Exposure	Weight
SPY	SPDR S&P 500 ETF Trust	U.S. Large Caps	50%
IWM	iShares Russell 2000 ETF	U.S. Small Caps	20%
EFA	iShares MSCI EAFE ETF	Developed International	20%
EEM	iShares MSCI Emerging Markets ETF	Emerging Markets	10%

Since markets have declined substantially this year (i.e., by more than the 15% range indicated by the options), both options will expire worthless if nothing changes between now and the January 2023 option rollover. The investor's loss is limited to the net premium paid for the long option position.

On the other hand, if markets rally into -15% to +15% territory since the January 2022 rollover, then the long option position will theoretically be exercised to purchase the asset at a price below the prevailing market value. If they rally beyond +15%, however, the option positions sold may be ITM and would require delivery of the underlying to the buyer (again, at a price below prevailing market value). This effectively caps an investor's upside from the strategy when markets rise, while also limiting downside to the net premium paid when markets fall.

The Year in Review

The first year of the Fund's infancy provided several intriguing insights.

Foremost, [GTR](#) delivered partial downside protection, despite roughly 25% declines in the broader markets, accessed via its option exposures. Evident in the Performance & Strategy Statistics section of [GTR's web page](#), the Fund has outperformed by about 5% year-to-date and since inception.

[NAV Price Return](#) for GTR & Exposures Underlying its Option Strategy as of 10/7/22

Name	Ticker	1-Week	MTD	1-Month	3-Month	YTD	Since GTR Option Roll 1/20/2022	Since GTR Inception 10/7/2021
WisdomTree Target Range Fund	GTR	0.28%	0.28%	-3.24%	-3.63%	-18.67%	-14.20%	-15.90%
GTR Equity Exposures	--	1.74%	1.74%	-7.66%	-6.66%	-23.92%	-19.62%	-20.27%
SPDR S&P 500 ETF Trust	SPY	1.56%	1.56%	-8.40%	-6.34%	-22.69%	-17.85%	-16.01%
iShares MSCI EAFE ETF	EFA	1.59%	1.59%	-6.56%	-8.61%	-26.28%	-24.69%	-23.95%
iShares Russell 2000 ETF	IWM	2.27%	2.27%	-6.94%	-3.45%	-23.43%	-15.08%	-23.42%
iShares MSCI Emerging Markets ETF	EEM	1.94%	1.94%	-7.64%	-10.82%	-26.30%	-27.44%	-27.88%

Sources: WisdomTree, Lipper, as of 10/7/22. Past performance is not indicative of future results. Subject to change. NAV Price Return = the change in the net asset value of a mutual fund or ETF over a given time period. Performance quoted represents past performance, which is no guarantee of future results. Investment returns and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted.

See [GTR's web page](#) for full standardized performance data and other important information.

Secondly, [GTR](#) provided a risk-return profile that outperformed both a 70% equity/30% fixed income portfolio and a [60/40](#) one-ticker solution. Consider the [MSCI AC World](#) and [Bloomberg U.S. Aggregate Bond](#) indexes as an asset class pairing:

Risk & Return Measures as of 10/7/22

Fund/Index	1-Year NAV Performance	1-Year Volatility
GTR	-15.9%	10.7%
70% MSCI ACWI/30% Bloomberg U.S. Aggregate Bond Index	-17.9%	14.4%
60% MSCI ACWI/40% Bloomberg U.S. Aggregate Bond Index	-17.4%	13.3%

Sources: WisdomTree, Bloomberg, as of 10/7/22. Past performance is not indicative of future results. You cannot invest directly in an index.

[GTR](#) not only outperformed this traditional equity/fixed income portfolio by about 1%–2%, but did so with less risk, delivering better risk-adjusted returns and a more efficient portfolio in the context of modern portfolio theory.

As of October 7, equities remain deep in bear market territory. [GTR](#)'s outperformance is a testament to the efficacy of an options strategy to mitigate volatility while retaining upside potential. Options also allow the Fund itself to invest most assets in secure investments like cash and Treasuries, while retaining equity market exposure.

Fund Composition as of 10/7/22

Security	Market Value	Weight
Treasury Bills	\$ 45,797,396.68	87.2%
Cash	\$ 5,667,198.95	10.8%
Options	\$ 1,029,544.30	2.0%

The first year of performance demonstrates that [GTR](#) can be a potential solution for volatility, without completely restricting the ability to participate in market rallies. Most importantly, this may help investors keep their portfolios positioned as an auxiliary allocation for whatever market events are on the horizon.

Please take a look at [GTR's web page](#) for more information.

Important Risks Related to this Article

The Fund is actively managed and implements a strategy similar to the methodology of the TOPS® Global Equity Target Range™ Index (the "Index"), which seeks to track the performance of a cash-secured call spread option strategy. There can be no assurance that the Index or the Fund will achieve its respective investment objectives, or that the Fund will successfully implement its investment strategy. Moreover, while the Fund seeks to target returns within a prescribed range, thereby minimizing downside investment loss, there can be no guarantee that an investor in the Fund will experience limited downside protection, particularly short-term investors, investors that seek to time the market and/or investors that invest over a period other than the annual period. The Fund's options strategy will subject Fund returns to an upside limitation on returns attributable to the assets underlying the options. The Fund's investments in options may be subject to volatile swings in price influenced by changes in the value of the underlying ETFs or other reference asset. The return on an options contract may not correlate with the return of its underlying reference asset. The Fund may utilize FLEX Options to carry out its investment strategy. FLEX Options may be less liquid than standard options, which may make it more difficult for the Fund to close out its FLEX Options positions at desired times and prices. The Fund's use of derivatives will give rise to leverage and derivatives can be volatile and may be less liquid than other securities. As a result, the value of an investment in the Fund may change quickly and without warning and you may lose money. Investment exposure to securities and instruments traded in non-U.S., developing or emerging markets can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and more developed international markets. These and other factors can make investments in the Fund more volatile and potentially less liquid than other types of investments. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of GTR please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/alternative/gtr>

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

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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. nbsp;

Bear market: A sustained downturn in market prices, increasing the chances of negative portfolio returns.

Interest rates: The rate at which interest is paid by a borrower for the use of money.

Inflation: Characterized by rising price levels.

In-the-money (ITM): An in-the-money call option is an option with a strike price below the current market price.

Out-the-money (OTM): An out-of-the-money call option is an option with a strike price above the current market price.

Large-Capitalization (Large-Cap): A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term “large market capitalization”. Market capitalization is calculated by multiplying the number of a company’s shares outstanding by its stock price per share.

Small caps: new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

Emerging market: Characterized by greater market access and less potential for operational risks when compared to frontier markets, which leads to a larger base of potentially eligible investors.

NAV Return: The change in the net asset value of a mutual fund or ETF over a given time period.

60/40 Portfolio: A portfolio of 60% equities and 40% fixed income.

MSCI ACWI Index: A free-float adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

Bloomberg U.S. Aggregate Bond Index: Represents the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, as well as mortgage and asset backed securities.