

HOW TO FIND HIGHER YIELD

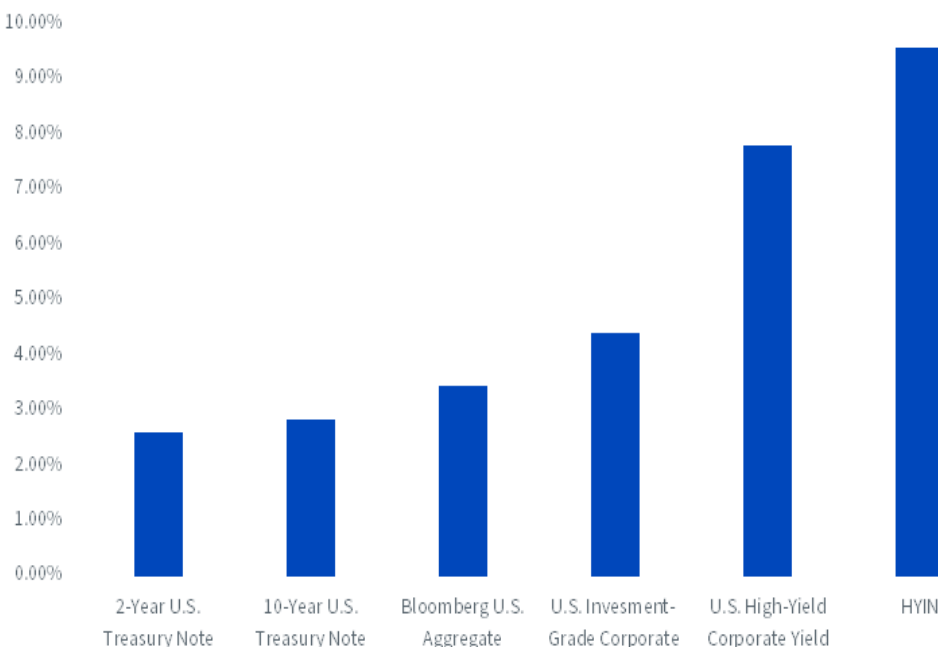
Kevin Flanagan — Head of Fixed Income Strategy

05/26/2022

Things have been quite challenging for the [bond](#) market thus far in 2022—this is perhaps the biggest understatement of the year. Although money and [bond market yields](#) have increased appreciably through the first five months of 2022, there is one dynamic that has still not changed all that much: [interest rates](#) in general remain historically low.

Unfortunately, this is what happens when rates fall toward the ‘zero’ threshold from a monetary policy perspective. In other words, rates have a rather large hole to climb out of. Thus, even with the [U.S. Treasury](#) 10-Year (UST) yield rising 130 [basis points \(bps\)](#) since December 31, the yield is only at 2.81% as of this writing.

Fixed Income Yields



The Bloomberg Aggregate Bond Index, US Investment Grade Corporate and US High Yield Corporate are presenting Yield to Worst, respectively. 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](#).

For the most recent standardized performance click [here](#).

As a result, investors are still left with the quandary of where to find yield. The enclosed chart provides some perspective of what investors are facing in the U.S. fixed income arena in terms of available yields. Due to a rather flat [yield curve](#), UST fixed [coupon](#) yields are all essentially below 3%. Even with one of the worst performances on record year-to-date, the benchmark [Bloomberg U.S. Agg's](#) yield is not much higher at under 3.46%. Typically, fixed income investors have turned to the U.S. credit markets to try and generate incremental yield, and this premise still holds as U.S. investment-grade and high-yield rates do offer some upside at 4.40% and 7.82%, respectively.

A Yield Solution

However, what if an investor could find a higher yield? The alternative credit space is garnering increasing attention of late, as investors are becoming more aware of the yield opportunities in this asset class. Alternative credit investments

are debt-based products whose yield and/or expected return is higher than investment-grade fixed income securities. The category includes a broad universe of borrower segments, such as households, corporations and commercial real estate sponsors. Three main segments of alternative credit are [business development companies \(BDCs\)](#), credit-centric [closed-end funds \(CEFs\)](#) and [mortgage real estate investment trusts \(REITs\)](#).

Accessing the alternative credit space has been difficult for some investors in the past. Rather than gaining broad-based exposure to a diversified set of managers, options have often been limited to just one of the aforementioned segments of alternative credit. WisdomTree has collaborated with Gapstow Capital Partners to create access to a more diversified approach to this asset class. The [WisdomTree Alternative Income Fund \(HYIN\)](#) seeks to track the price and yield performance, before fees and expenses, of the [Gapstow Liquid Alternative Credit Index \(GLACI\)](#).

Due to the underlying nature of alternative credit, the fund can potentially carry elevated [volatility](#), but it also has potential for a higher yield profile. As of this writing, the SEC 30-day yield for [HYIN](#) came in at 9.57%, which is 175 bps above the rate for high yield (the next closest option) and more than 600 bps higher than the Agg. In addition, a portion of the fund's alternative credit is concentrated to exposures in [floating rate notes](#), which can help to keep the correlation to the Agg to a minimum.

Important Risks Related to this Article

For a prospectus click [here](#).

There are risks associated with investing, including the possible loss of principal. The Fund invests in alternative credit sectors through investments in underlying closed-end investment companies ("CEFs"), including those that have elected to be regulated as business development companies ("BDCs") and real estate investment trusts ("REITs"). The value of a CEF can decrease due to movements in the overall financial markets. BDCs generally invest in less mature private companies, which involve greater risk than well-established, publicly traded companies and are subject to high failure rates among the companies in which they invest. By investing in REITs, the Fund is exposed to the risks of owning real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

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.

Related Blogs

- + [Float like a Butterfly, Don't Get Stung by a Bee](#)
- + [Fed Watch: Nifty-Fifty](#)
- + [Is This a Defining Moment for the Bond Market?](#)

Related Funds

- + [WisdomTree Alternative Income Fund](#)

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.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Kara Marciscano, Jianing Wu and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Bond : A fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

Bond yield : Refers to the interest received from a bond and is usually expressed annually as a percentage based on its current market value.

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

Treasury : Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

Basis point : 1/100th of 1 percent.

Curve : Refers to the yield curve. Positioning on the yield curve is important to investors, especially during non-parallel shifts.

Coupon : The annual interest rate stated on a bond when it's issued. The coupon is typically paid semiannually. This is also referred to as the "coupon rate" or "coupon percent rate."

Bloomberg Aggregate Bond Index : The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

Business Development Companies (BDCs) : An organization that invests in small- and medium-sized companies as well as distressed companies.

Closed-end fund : is a collective investment vehicle based on issuing a fixed number of shares which are not redeemable from the fund. New shares/units in a closed-end fund are not created by managers to meet demand from investors. Instead, the shares can be purchased (and sold) only in the market. Closed-end funds are usually listed on a recognized stock exchange and can be bought and sold on that exchange. The price per share is determined by the market and is usually different from the underlying value or net asset value (NAV) per share of the investments held by the fund.

Real estate investment trust (REIT) : Investment structure containing a basket of different exposures to real estate, be it directly in properties or in mortgages. Returns predominantly relate to changes in property values and income from rental payments.

Gapstow Liquid Alternative Credit Index (GLACI) : An equal-weighted index that tracks the performance of 35 "Publicly Traded Alternative Credit Vehicles" (PACs) using an objective, rules-based methodology

Volatility : A measure of the dispersion of actual returns around a particular average level. nbsp;.

Floating Rate Treasury Note : a debt instrument issued by the U.S. government whose coupon payments are linked to the 13-week Treasury bill auction rate.