

# A TIME-TESTED STRATEGY FOR THE NEW RATE REGIME: LADDERED TREASURY SOLUTIONS

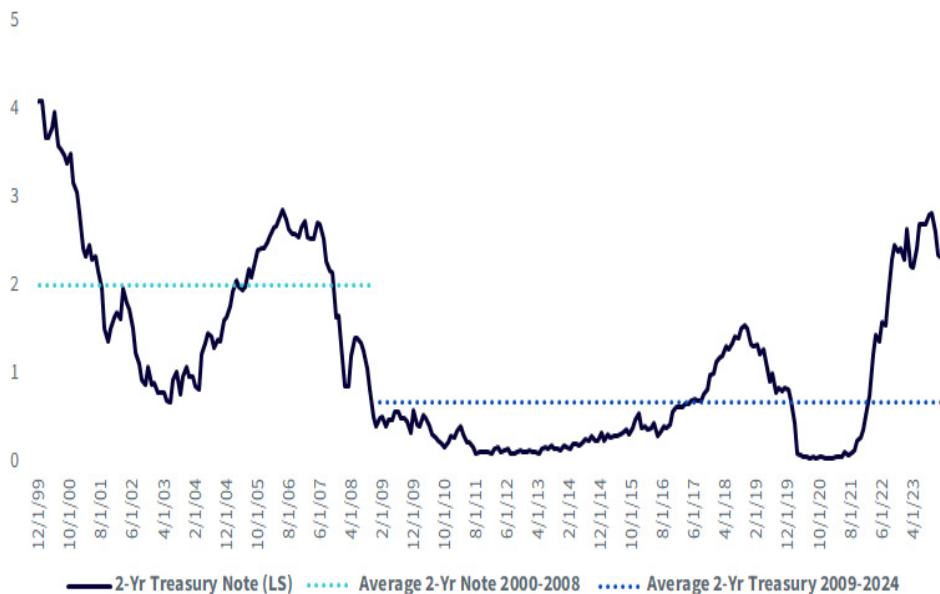
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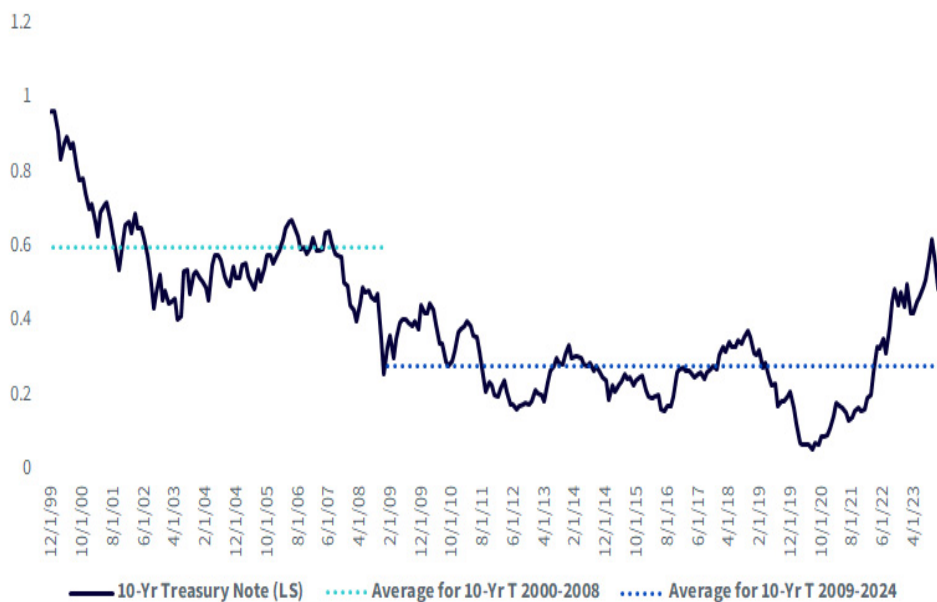
The [new rate regime](#) has presented investors with a fixed income backdrop that hasn't been witnessed in more than a decade and a half. Against this backdrop, bond portfolio decision-making has been presented with a new, or shall we say "old," opportunity for positioning. With income back in fixed income and uncertainty surrounding the macro outlook, investors can now turn to a time-tested strategy to help navigate the potentially choppy waters in the bond market going forward: laddered Treasury solutions.

Certainly, a key benefit from the rise in U.S. interest rates from their COVID-19-related historical lows is that investors are now clearly presented with a better risk-return profile in the fixed income markets. As a result, more income has become available per unit of [interest rate risk](#), with potential returns exceeding [inflation](#). This bond market landscape stands in stark contrast to the [zero interest rate policy \(ZIRP\)](#) that was adopted and maintained by many central banks (including the [Fed](#)) for much of the 2010–2022 period.

## Yield/Duration for 2-Yr Treasury Note, 2000–2024



## Yield/Duration for 10-Yr Treasury Note, 2000–2024



Source: Bloomberg, as of 3/5/24.

This point can be underscored by the relationship between yield and [duration](#) from a historical perspective, as illustrated in the above graphs. In other words, investors are now able to achieve a visibly higher yield as it relates to the underlying duration of a Treasury security, whether it's a 2- or a 10-year maturity. This development has brought a "return to normalcy" for the [U.S. Treasury \(UST\)](#) market that didn't exist following the [great financial crisis](#) and through COVID-19.

### So, How Can Investors Take Advantage of This New (Old) Rate Regime?

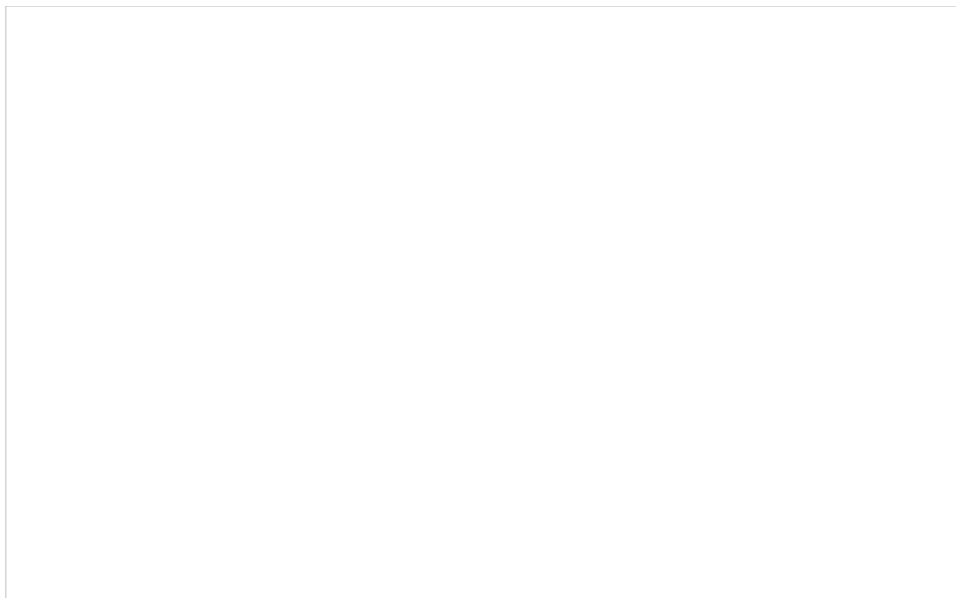
WisdomTree has created laddered Treasury strategies to take advantage of the opportunities that may now exist in the money and [bond markets](#). We believe this time-tested approach offers diversified risk exposures around key parts of the [yield curve](#) and involves equal-weighted market exposures laddered across the maturity range.

- **[WisdomTree 1-3 Year Laddered Treasury Fund](#)**
  - Investors who are looking to manage interest rate risk while also positioning their fixed income portfolio for shifts in Federal Reserve policy may consider the [WisdomTree 1-3 Year Laddered Treasury Fund \(USSH\)](#). [USSH](#) seeks to track the price and yield performance, before fees and expenses, of the [Bloomberg U.S. Treasury 1-3 Year Laddered Index](#).
- **[WisdomTree 7-10 Year Laddered Treasury Fund](#)**
  - Investors who are looking to moderately add duration and position their bond portfolio for changes in growth and inflation expectations may consider the [WisdomTree 7-10 Year Laddered Treasury Fund \(USIN\)](#). [USIN](#) seeks to track the price and yield performance, before fees and expenses, of the [Bloomberg U.S. Treasury 7-10 Year Laddered Index](#).

Both strategies focus on the most recently issued securities that mature for a designated month or quarter to preserve a high level of liquidity within the strategy. Both strategies focus on a subset of available Treasury securities within the maturity bands, selecting the most recently issued securities that mature for a designated month or quarter. This focus seeks to further enhance the high degree of liquidity already present in investment in Treasury securities.

There will be a monthly rebalancing for each Fund, where the 1–3-year Index rotates securities monthly while the 7–10-year Index reconstitutes quarterly, in line with the Treasury issuance of the new 10-Year note every February, May, August and November.

### Fed Funds Target Rate and Treasury Yields



### What Role Can Laddered Exposures to Short and Intermediate Treasuries Play in Investor Portfolios?

Laddered Treasury strategies provide critical building blocks that we believe are straightforward, intuitive and disciplined while serving a variety of functions within investor portfolios. At their core, this approach may offer a source of high-quality income, with each strategy providing the ability to position around key points of the curve. As highlighted by the above graph, the shorter-dated UST sector of the yield curve is highly sensitive to expectations about Federal Reserve policy, while the intermediate part is more sensitive to changes in long-term growth and inflation expectations.

### Conclusion

With the addition of these new Laddered Treasury Funds ([USSH](#) and [USIN](#)) to our [Floating Rate Treasury Fund \(USFR\)](#), WisdomTree now offers investors a suite of Treasury products that can act as a powerful toolkit to effectively manage a variety of interest rate scenarios.

### Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Because the Fund is new, it has no performance history. U.S. Treasury obligations may provide relatively lower returns than those of other securities. Changes to the financial condition or credit rating of the U.S. government may cause the value to decline. Fixed income securities are subject to interest rate, credit, inflation and reinvestment risks. Generally, as interest rates rise, the value of fixed income securities falls. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of USSH please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/ussb>

For the top 10 holdings of USFR please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/usfr>

For the top 10 holdings of USIN please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/usin>

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 Funds

- + [WisdomTree 1-3 Year Laddered Treasury Fund](#)
- + [WisdomTree 7-10 Year Laddered Treasury Fund](#)
- + [WisdomTree Floating Rate Treasury Fund](#)

For more investing insights, check out our [Economic & Market Outlook](#)

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.

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You cannot invest directly in an index.

## **DEFINITIONS**

**Interest rate risk** : The risk that an investment's value will decline due to an increase in interest rates.

**Inflation** : Characterized by rising price levels.

**Zero Interest Rate Policy (ZIRP)** : A monetary policy where by interest rates, such as Fed Funds, are kept close to, or at zero.

**Federal Reserve** : The Federal Reserve System is the central banking system of the United States.

**Duration** : A measure of a bond's sensitivity to changes in interest rates. The weighted average accounts for the various durations of the bonds purchased as well as the proportion of the total government bond portfolio that they make up.

**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.

**The Global Financial Crisis** : Refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009.

**Bond market** : The bond market—often called the debt market, fixed-income market, or credit market—is the collective name given to all trades and issues of debt securities. Governments typically issue bonds in order to raise capital to pay down debts or fund infrastructural improvements.

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