WisdomTree Laddered Treasury Bond Funds

USSH

USIN

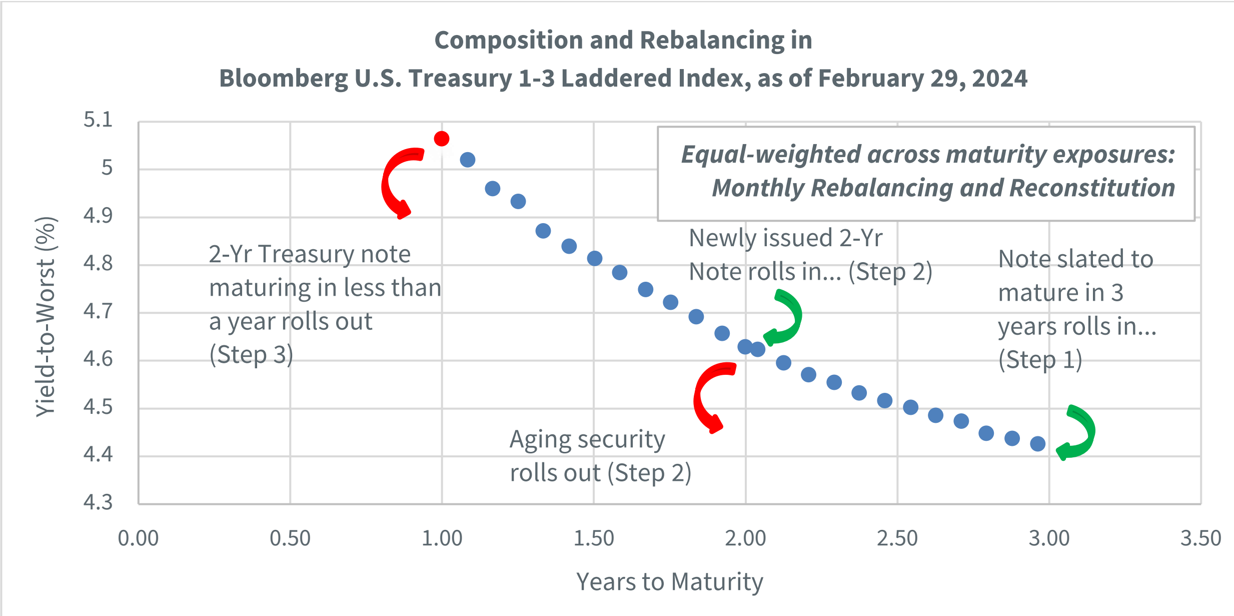
In recent years, the Federal Reserve (Fed) hiked rates aggressively to combat rising inflation pressures, and as a result bond yields also rose. The sharp rise in rates has provided a necessary reset for the fixed income markets, distancing us from the low yields that characterized the period following the global financial crisis. We have entered a "new rate regime" with income back in fixed income. Now, with the Fed potentially at an inflection point, investors should consider how to prepare for the next phase in monetary policy, with consideration for solutions that span the yield curve.

To offer greater flexibility in securing high-quality income at different points of the yield curve, WisdomTree offers laddered exposure centered around the short-term (1–3 years) and intermediate-term (7–10 years) parts of the Treasury yield curve. The 1–3 Year Treasury strategy (USSH) seeks to track the Bloomberg U.S. Treasury 1–3 Year Laddered Index, providing equal-weighted exposure across the maturity range using the most recently issued Treasuries in that range. The 7-10 Year Treasury strategy (USIN) seeks to track the Bloomberg U.S. Treasury 7–10 Year Laddered Index, with equal-weighted exposure using the most recently issued Treasuries in that range. These strategies complement the WisdomTree Floating Rate Treasury Fund (USFR) by offering investors additional tools for positioning portfolios during different monetary policy and economic regimes.

Keeping it Simple with Laddered Exposures to Short and Intermediate Treasuries

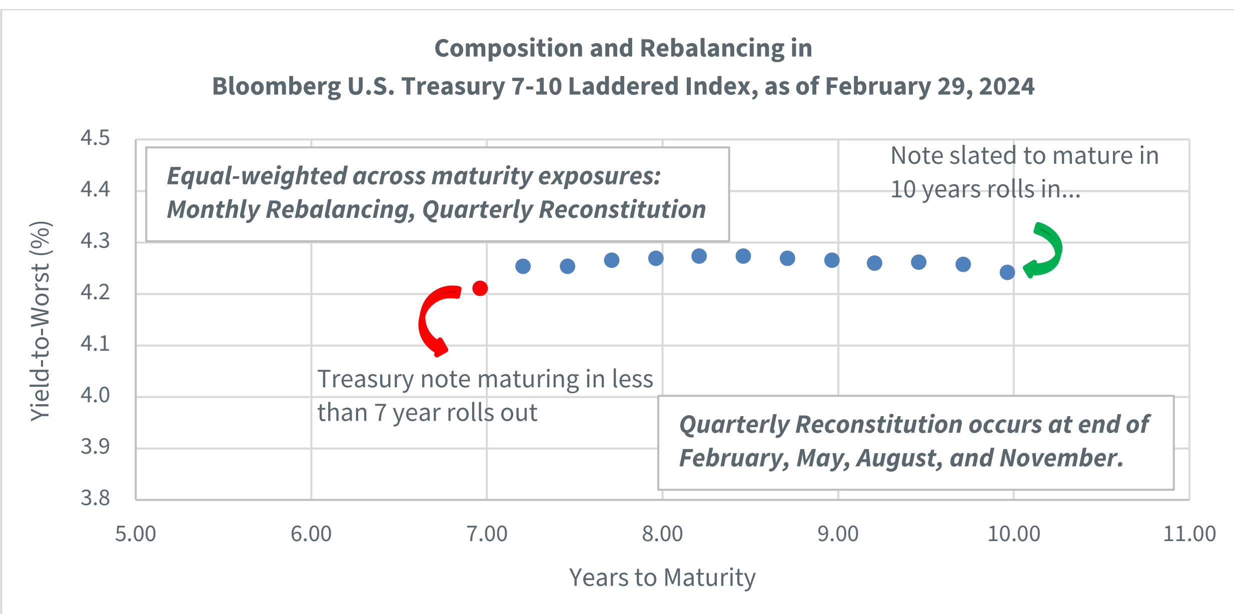
Our laddered strategies in each maturity range provide a straightforward approach that offers diversification across recently issued securities with the potential for high-quality income. A laddered portfolio is structured by purchasing several bonds with differing maturities (monthly maturities in the case of 1–3 Year and quarterly in the case of 7–10 Year). As each bond falls out of the maturity band (below 1 year or below 7 years) and proceeds are reinvested in a new bond at the longer-term end of the ladder. Also, as new bonds are issued for each maturity month or quarter, the more recently issued bond replace the older bond for that maturity band.

The 1–3 Year Index adds the most recently issued Treasury security each month, resulting in 24 constituent, equally weighted securities, each accounting for a little over 4% of the strategy. During each month's reconstitution/rebalance, a newly issued bond maturing in three years is added (Step 1 in the chart below), whereas the shortest maturity note approaching the one-year maturity threshold is removed (Step 3). Similarly, the note that has rolled down to within two years of maturity is replaced by the newly issued 2–Year Treasury note (Step 2). The weights are then reset to equal weighting.



Source: WisdomTree.

Treasury issuance in intermediate maturities typically follows a quarterly cadence (February, May, August and November). As a result, the 7–10 Year Index typically consists of the 12 most recently auctioned 10-Year Treasury notes. Each security receives a market weight of 8.33%. The Index reconstitutes on a quarterly basis to add and remove securities but rebalances back to equal weighting across the maturity spectrum monthly. Given the longer maturities, the 7–10 Year Index features more interest rate risk and volatility than the 1–3 Year Index. The current duration measure is 7.28, and the range over the last 10 years is 7.27 to 8.16.



Source: WisdomTree.

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

Laddered Treasury strategies provide critical building blocks that can serve a variety of functions within investor portfolios. At their core, the strategies offer a source of high-quality income for both conservative and sophisticated investors—that is, straightforward, intuitive and disciplined. For advisors, the laddered strategies provide a powerful tool when combined with floating rate Treasuries to effectively manage interest rate risk. For more tactical investors, each strategy provides the ability to position opportunistically around key points of the curve. The 2–Year Treasury curve is highly sensitive to expectations about Fed policy, while the intermediate part of the curve is more sensitive to changes in long-term growth and inflation expectations.

WisdomTree 1–3 Year Laddered Treasury Fund Quick Facts	
Ticker	USSH
Exchange	NYSE
Expense Ratio	0.15%
Structure	Open-end ETF, registered under the Investment Company Act of 1940
Exposure	Short-term Treasuries
Objective	The Fund seeks to track the price and yield performance, before fees and expenses, of the Bloomberg U.S. Treasury 1–3 Year Laddered Index
Duration, as of 2/29/24	1.8 years

WisdomTree 7–10 Year Laddered Treasury Fund Quick Facts	
Ticker	USIN
Exchange	NYSE
Expense Ratio	0.15%
Structure	Open-end ETF, registered under the Investment Company Act of 1940
Exposure	Targeted exposure to intermediate Treasuries
Objective	The Fund seeks to track the price and yield performance, before fees and expenses, of the Bloomberg U.S. Treasury 7–10 Year Laddered Index
Duration, as of 2/29/24	7.16 years

For more information about USSH or USIN, contact your WisdomTree representative or visit WisdomTree.com/investments.

Glossary

Basis point: 1/100th of 1 percent.

Bloomberg U.S. Treasury 1–3 Year Laddered Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 1–2.999 years to maturity.

Bloomberg U.S. Treasury 7–10 Year Laddered Index: measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 7–9.9999 years to maturity.

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

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.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States.

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

Ladder: A fixed income strategy that seeks equal allocations across the yield curve in order to limit reinvestment risk.

Maturity: The amount of time until a loan is repaid.

Monetary policy: Actions of a central bank or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Treasury (UST): 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.

Treasury note: A debt obligation issued by the U.S. government that matures in less than 30 years.

Yield curve: Graphical depiction of interest rates on government bonds, with the current yield on the vertical axis and the years to maturity on the horizontal axis.

Yield: The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

IMPORTANT INFORMATION