WisdomTree ETF Solutions

FIXED INCOME: A RETURN TO NORMALCY

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THE MACRO OUTLOOK

The Fed and the broader central bank community will continue to walk the tightrope between fighting inflation and avoiding a recession. Against this backdrop, the Fed is expected to raise rates further early in the new year before policy goes on an extended pause, and perhaps consider a rate cut before year-end.

Here in the U.S., odds have increased the economy could be headed into contractionary territory while it appears as if inflation has peaked and is likely continue to 'cool' further in 2023.

FIXED INCOME

The global sovereign debt markets arguably experienced their worst year on record in 2022. However, an interesting development has occurred in the process; the era of negative rates has seemingly drawn to a close. Government bond markets in the developed world have now seen yield levels move into positive territory for the key 2-, 5- and 10-year maturity sectors.

As a result, yields have risen to (normal) levels that a generation of advisors and investors have never seen before. This development has created an interesting phenomenon: there's "income back in fixed income."

ACTIONABLE IDEAS

+ **WFHY – WisdomTree U.S. High Yield Corporate Bond Fund:** A core 'plus' solution which focuses on investors taking advantage of the considerable increase in high yield rates for income needs. This strategy utilizes a quality screen to mitigate default risk/concerns in case of an economic downturn.

+ **USFR – WisdomTree Floating Rate Treasury Fund:** A Treasury-based solution that provides income without the elevated volatility currently in the bond market. Additional rate hikes and an extended pause in monetary policy should keep Treasury (UST) FRNs as one of the highest yielding UST securities but with only one week in duration.

+ **AGGY – WisdomTree Yield Enhanced U.S. Corporate Bond Fund:** An investment grade core fixed income solution that offers yield enhancement vs. the Agg. This strategy provides a platform for investors to take advantage of a rally in duration if rates fall later this year as expected.

Glossary

Central bank: An institution that manages the currency and monetary policy of a state or formal monetary union and oversees their commercial banking system.

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

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.

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.

Important Risk Information

There are risks associated with investing, including the possible loss of principal.

WFHY: Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. High-yield or “junk” bonds have lower credit ratings and involve a greater risk to principal. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline. While the Fund attempts to limit credit and counterparty exposure, the value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund’s portfolio investments.

USFR: Securities with floating rates can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value. The issuance of floating rate notes by the U.S. Treasury is new and the amount of supply will be limited. Fixed income securities will normally decline in value as interest rates rise. The value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund's portfolio investments. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.

AGGY: Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline. Investing in mortgage- and asset-backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

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