

A Managed Fixed Income Solution for Today's Rate Environment

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Andrew Okrongly, CFA

Director, Model Portfolios

Joe Tenaglia, CFA, CMT

Director, Model Portfolios

Joe Tenaglia, CFA, CMT

Director, Model Portfolios

Key Takeaways

- Interest rate volatility, particularly in 2022, was a huge challenge for conservative asset allocations focused on capital preservation.
- Advisors seeking shorter duration exposure often turn to single-ticker ETFs or mutual funds.
- The [WisdomTree Short Duration Fixed Income Model Portfolio](#) offers a diversified, actively managed alternative that is benchmarked to the Bloomberg Short-Term U.S. Aggregate Bond Index.
- Since inception, the Model Portfolio has delivered attractive income and total returns with lower volatility than core bond benchmarks.

Navigating Fixed Income in a New Rate Regime

We are in a new rate regime—elevated interest rates are here, and they bring both risks and opportunities. For some investors, particularly those in conservative, fixed-income-heavy allocations, the past few years have been a challenging environment.

While higher rates mean better yield opportunities, they also bring increased rate volatility. The most dramatic example of this came in 2022, when core fixed income strategies and benchmarks experienced some of the largest drawdowns in decades.

For advisors, this poses a key question: how do you navigate this environment? The standard playbook might involve shifting toward lower duration fixed income ETFs or mutual funds. But here's the challenge—many of these solutions are highly targeted at specific sectors, not opportunistic enough to respond to market changes or take on more credit risk than is ideal for conservative clients.

This is where the WisdomTree Short Duration Fixed Income Model Portfolio comes in.

The WisdomTree Short Duration Fixed Income Model Portfolio

Instead of relying on a single ETF or fund, our WisdomTree Model Portfolio Investment Committee actively manages a diversified multi-ETF strategy designed to offer:

- **Diversified, multi-ticker construction**—Rather than relying on a single bond ETF, our Model Portfolio includes multiple ETFs, providing exposure to different sectors, styles and credit qualities.
- **Active management**—The WisdomTree Model Portfolio Investment Committee continuously evaluates market trends and adjusts positioning dynamically.
- **Risk-conscious approach**—By benchmarking to the Bloomberg Short-Term U.S. Aggregate Bond Index, the Model provides core fixed income exposure with lower duration risk, aligning with conservative client objectives.

Why Benchmark to the Bloomberg Short-Term U.S. Aggregate Bond Index?

Traditional core bond portfolios track the Bloomberg U.S. Aggregate Bond Index, which currently has an effective duration of 6.10 years and a yield-to-worst of 4.55% years.¹ While the yield is certainly attractive to many investors today, the duration exposes a portfolio to significant interest rate risk.

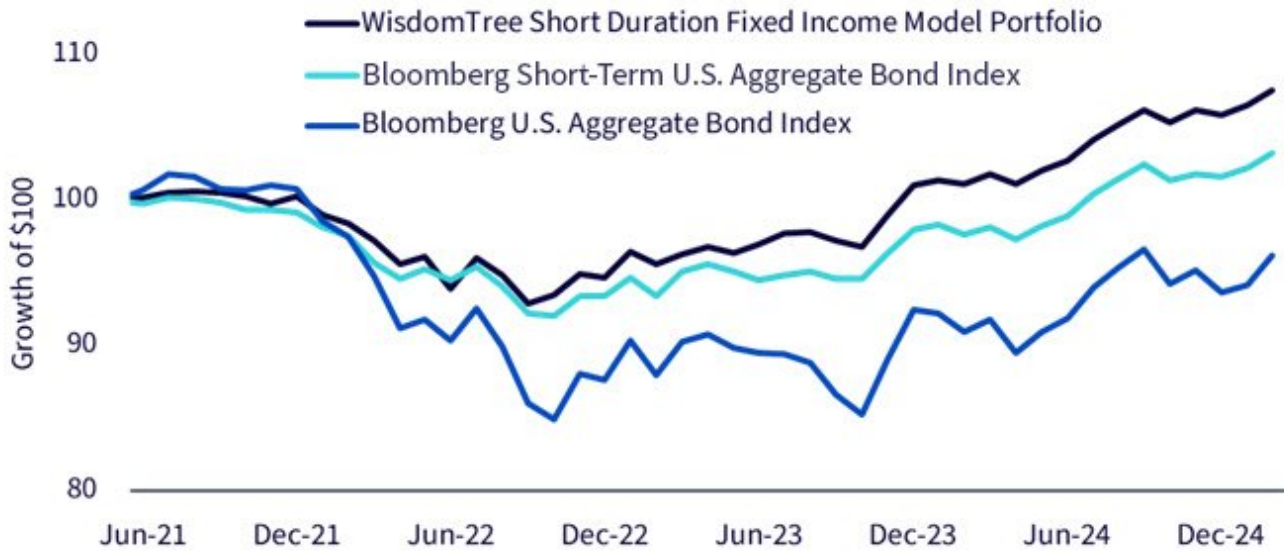
The [WisdomTree Short Duration Fixed Income Model Portfolio](#) is benchmarked to the Bloomberg Short-Term U.S. Aggregate Bond Index, which maintains a similar universe of investment-grade, USD-denominated bonds but restricts maturities to 1–5 years. As a result, it has a similar yield-to-worst of 4.19% but significantly lower 2.65-year duration, reducing sensitivity to interest rate fluctuations.¹

Delivering Performance with Lower Volatility

Since its launch in June 2021, the WisdomTree Short Duration Fixed Income Model Portfolio has consistently provided:

- **Attractive all-in yields** suitable for today's higher-rate environment.
- **Strong total returns**, benefiting from both active sector selection and risk management.
- **Lower volatility** compared to the traditional U.S. Aggregate Bond Index.

WisdomTree Short Duration Fixed Income Model Portfolio Performance: Growth of \$100 and Risk Statistics since Inception (5/31/21)



	WisdomTree Short Duration Fixed Income Model Portfolio	Bloomberg U.S. Aggregate Bond Index
Max Drawdown	-7.38%	-15.72%
Standard Deviation (annualized)	3.98%	7.74%
Beta vs. S&P 500 Index	0.19	0.32

Source: WisdomTree, as of 2/28/25. You cannot invest directly in an index. Past performance is not indicative of future results. 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. Click [here](#) for Model and underlying Fund standardized performance.

Final Thoughts

For advisors seeking a thoughtful, risk-managed approach to fixed income, the WisdomTree Short Duration Fixed Income Model Portfolio offers a compelling solution—navigating today's volatile rate environment while keeping capital preservation front and center.

1 Source: Bloomberg, as of 3/4/25.

Important Risks Related to this Article

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