

Build Your Core (Portfolio) the Right Way—Part 3

Published October 24, 2025

Behnood Noei, CFA

Director, Fixed Income

Key Takeaways

- In 2025, the [WisdomTree Yield Enhanced U.S. Aggregate Bond Fund \(AGGY\)](#) has outperformed the broad U.S. Aggregate Index by 40 basis points, thanks to higher duration and corporate exposure.
- [AGGY's](#) recent rebalance positioned it with nearly a full year more duration than its benchmark, offering both an income edge and upside if yields fall further.
- With markets still favoring steady income and the Federal Reserve (Fed) leaning toward easing, [AGGY's](#) quality-focused, carry-driven strategy makes it a compelling core bond option for the rest of 2025.

2025 has been a good year for WisdomTree's fixed income lineup. Several of our strategies, designed with a focus on quality and sound portfolio construction, have delivered strong results and outperformed many of their peers.

One fund that hasn't had as much time in the spotlight this year is the [WisdomTree Yield Enhanced U.S. Aggregate Bond Fund \(AGGY\)](#). We covered it last year in our "[Build Your Core \(Portfolio\) the Right Way](#)" series, where we unpacked how the Fund is built and what sets it apart. With markets shifting again, this feels like the right time to circle back—see how [AGGY](#) has fared this year and what its current positioning could mean for the rest of 2025.

Performance and Positioning

[AGGY](#) has put up a strong showing this year, beating the broad U.S. Aggregate Index by roughly 40 basis points after fees. Most of the outperformance has come from a higher allocation to corporates and having higher duration.

Figure 1: Performance

	Fund Inception Date	YTD	1-Yr.	3-Yr.	5-Yr.	10-Yr.	Since Fund Inception
AGGY NAV Returns	7/9/15	6.54%	3.36%	5.82%	-0.47%	2.06%	2.07%
AGGY Market Price Returns	7/9/15	6.51%	3.28%	5.84%	-0.46%	2.07%	2.07%
Bloomberg Barclays U.S. Aggregate Enhanced Yield Index		6.68%	3.51%	6.01%	-0.29%	2.24%	2.25%
Bloomberg Barclays U.S. Aggregate Index		6.13%	2.88%	4.93%	-0.45%	1.84%	1.90%

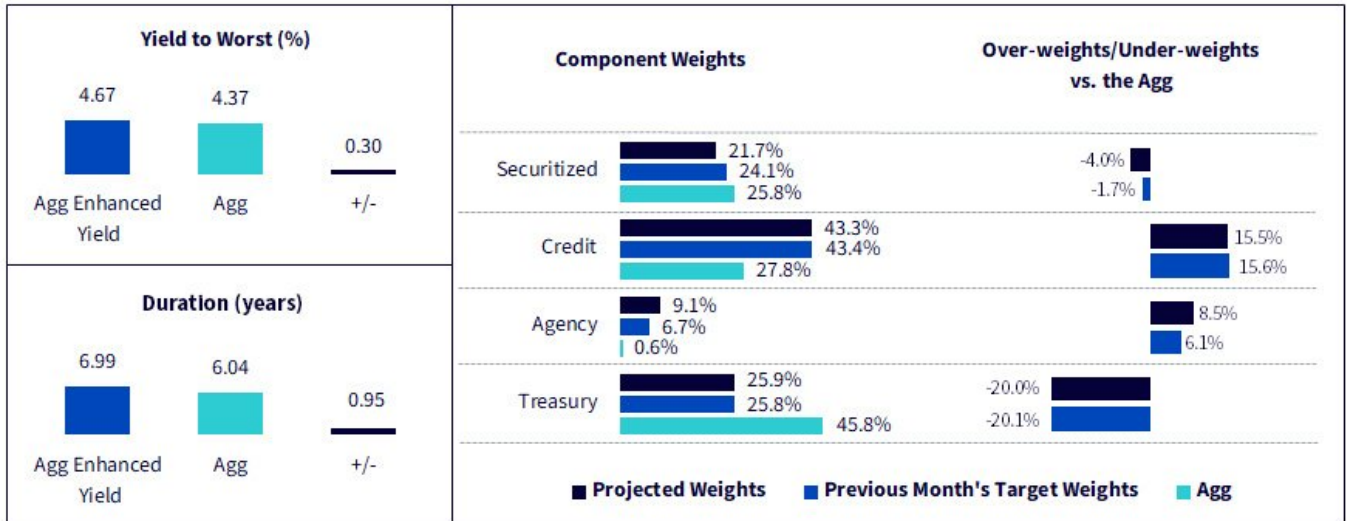
Source: WisdomTree, as of 9/30/25. **The performance data quoted represents past performance and is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click [here](#).**

This outperformance is not only against the Aggregate Index. The Fund has also held up well against its peers. That kind of consistency says more about the process than the market. It's a strategy doing exactly what it was built to do.

There's a clear reason behind this performance. As we discussed in the "[Build Your Core \(Portfolio\) the Right Way](#)" series, [AGGY](#) spent several years running a shorter duration than the broad Aggregate. That changed once the Fed began easing. After the most recent rebalance, the Fund now carries almost a full year more duration than the benchmark.

That shift was paired with an income edge: by yield to worst, [AGGY](#) offers about 30 basis points more income than the Bloomberg U.S. Aggregate Index. In practical terms, that means investors get a bit more carry working for them every day, while still staying true to a quality-focused approach.

Figure 2: AGGY Rebalance



Sources: Bloomberg, WisdomTree, as of 9/30/25. The performance data quoted represents past performance and is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click [here](#).

Ready for What's Ahead

The outlook feels mixed but mostly positive for [AGGY](#). The labor market has clearly cooled off, but the economy's still holding together better than many expected, which keeps talk of recession on the sidelines. For the rest of 2025, the focus hasn't really changed: find steady, diversified sources of income. Carry still drives returns.

Rates are likely to stay higher than what investors got used to over the last decade or so, especially farther out on the curve. That said, we think the Fed's bias is toward easing, which points to lower short- and intermediate-term yields from here. If that plays out, [AGGY's](#) extra year of duration should work in its favor, giving it room to benefit if those parts of the curve drift lower, while the Fund continues to clip a little extra carry along the way.

Conclusion

[AGGY](#) doesn't make a lot of noise, but it doesn't have to. The track record speaks for itself. It has outperformed, sits near the top of its peer group and offers a bit more yield with a duration that fits the current rate backdrop.

For investors taking another look at their core bond holdings, [AGGY](#) stands out as a steady option. It's built to keep earning income and stick to its process, no gimmicks, no drama. That quiet consistency is what tends to last.

Important Risks Related to this Article

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