

Introducing a Time-Tested Solution for Municipals

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Key Takeaways

- With U.S. interest rates normalizing, investors have a renewed opportunity to capture predictable, tax-advantaged income through laddered municipal bond strategies.
- The new [WisdomTree Core Laddered Municipal Fund \(WTMU\)](#) and [WisdomTree High Income Laddered Municipal Fund \(WTMY\)](#) combine disciplined laddering with active credit selection to manage rate risk while seeking enhanced returns.
- By targeting diverse maturities and credit tiers, including high-yield munis, these ETFs offer flexibility, resilience and potential after-tax income benefits in today's evolving bond market.

With U.S. interest rates returning to a more "normal" setting, bond buyers are presented with a landscape for fixed income investing that a generation of investors may not have witnessed before. However, the same rules still apply when trying to discern value whether we are in a rising, falling or stable rate environment. One time-tested approach for fixed income investing is the laddered bond strategy and WisdomTree now offers two new solutions for the municipal bond market. Today, in collaboration with Insight Investment [WisdomTree launched the WisdomTree Core Laddered Municipal Fund \(WTMU\)](#) and the [WisdomTree High Income Laddered Municipal Fund \(WTMY\)](#), two ETFs designed to bring a modern, actively managed laddered approach to the municipal bond market. In this blog post, we'll outline how these strategies aim to help investors navigate the muni landscape with consistency and clarity.

Laddered strategies follow an approach where one invests in bonds spread out across different maturities. This helps to diversify potential interest rate risk by offering the opportunity to reset one's portfolio as interest rates rise, while also retaining some exposure to lock in yield if rates fall. The end goal is to help provide consistency in interest rate exposure while offering a potentially more predictable experience for investors.

Laddering municipal bond portfolios has been a core investment approach used by advisors for many years, producing an effective solution to participate in the tax-advantaged fixed income space. WisdomTree has collaborated with Insight Investment Management to bring a laddered approach to the ETF industry.

Our combined approach fuses the consistency offered by ladders with the active credit expertise of Insight, one of the longest serving municipal managers in the industry.

Combining an Active Approach with a Laddered Strategy in Munis

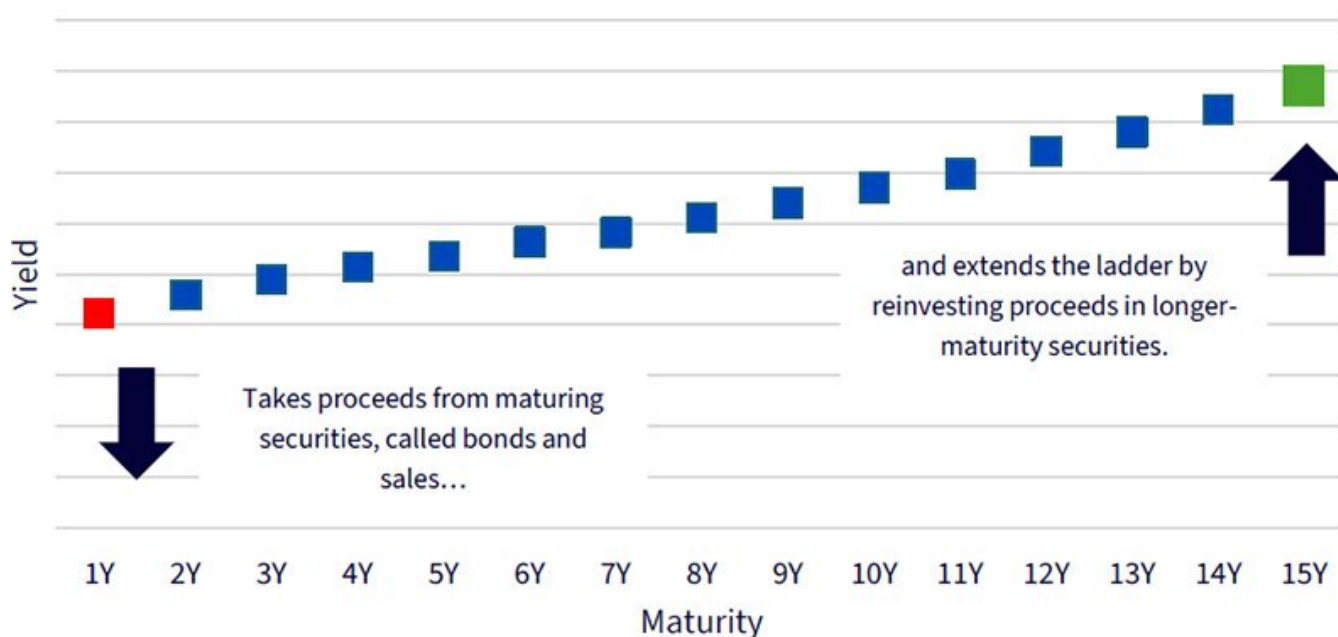
Municipal securities are debt issued by state and local government entities to fund general operations and finance revenue generating projects such as essential services (water/sewer), public utilities, roadways, transit/transportation and hospitals. As a result, the muni universe is made up of a large, wide variety of issuers which offer a diverse set of opportunities from a trading and credit perspective.

Diversifying exposure equally across maturity rungs through laddering, letting securities roll down the curve and reinvesting proceeds into higher maturities at the top of the ladder provides a consistent, all-weather approach to mitigating interest rate risk. The disciplined approach reduces the need to time interest rate changes while also providing flexibility to position for future opportunities to add value through security and sector selection.

The WisdomTree Core Laddered Municipal Fund (WTMU)

WTMU is designed to provide a laddered approach for exposure to investment-grade municipal bonds across the intermediate part of the municipal yield curve. It diversifies exposure across maturity rungs out to 15 years in securities that will mature or are likely to be called or tendered. As bonds begin to mature, get called or are sold off from shorter rungs, the proceeds are reinvested at the very top of the ladder in securities that are higher yielding, given the positive slope of the municipal yield curve.

“Laddered Approach”



For illustrative purposes only. Not intended to represent the performance of any specific investment product or holding.

The WisdomTree High Income Laddered Municipal Fund (WTMY)

WTMY combines a laddered approach across 15 years of the muni yield curve, providing exposure to lower-rated investment-grade securities with a targeted allocation to the high-yield sector. The Fund targets at least 80% in municipals rated A+ or below, or what we define as high-income municipals, and can invest up to 50% in securities deemed to be non-investment grade. This approach balances the pursuit of higher after-tax income with the desire for diversification, transparency and liquidity.

Both **WTMU** and **WTMY's** investment process provides a foundation for active credit selection. A disciplined risk management process is utilized to mitigate undue risk of the desired credit profile and seeks to isolate undervalued securities and sectors to exploit market inefficiencies through independent credit research and flexible opportunistic trading.

Munis: A Key Source of Value

For investors, municipals serve as a strong diversifier of assets, typically offer better credit quality than corporate bonds and can provide a more defensive behavior in rising rate environments, all while offering the opportunity for enhanced after-tax income.

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There are risks associated with investing, including the possible loss of principal. Municipal securities carry various risks, including credit, interest rate, prepayment and valuation risks. Issuers may face financial difficulties that impact their ability to meet payment obligations. The value of these securities can fluctuate due to changes in revenue sources, local economic and political conditions, and industry-specific downturns (e.g., education, healthcare, transportation, utilities). Additionally, tax-exempt income from municipal securities could become taxable due to regulatory changes or issuer noncompliance, potentially reducing their value. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Higher-yield securities 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. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

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