

# Repositioning in an Active Core Strategy

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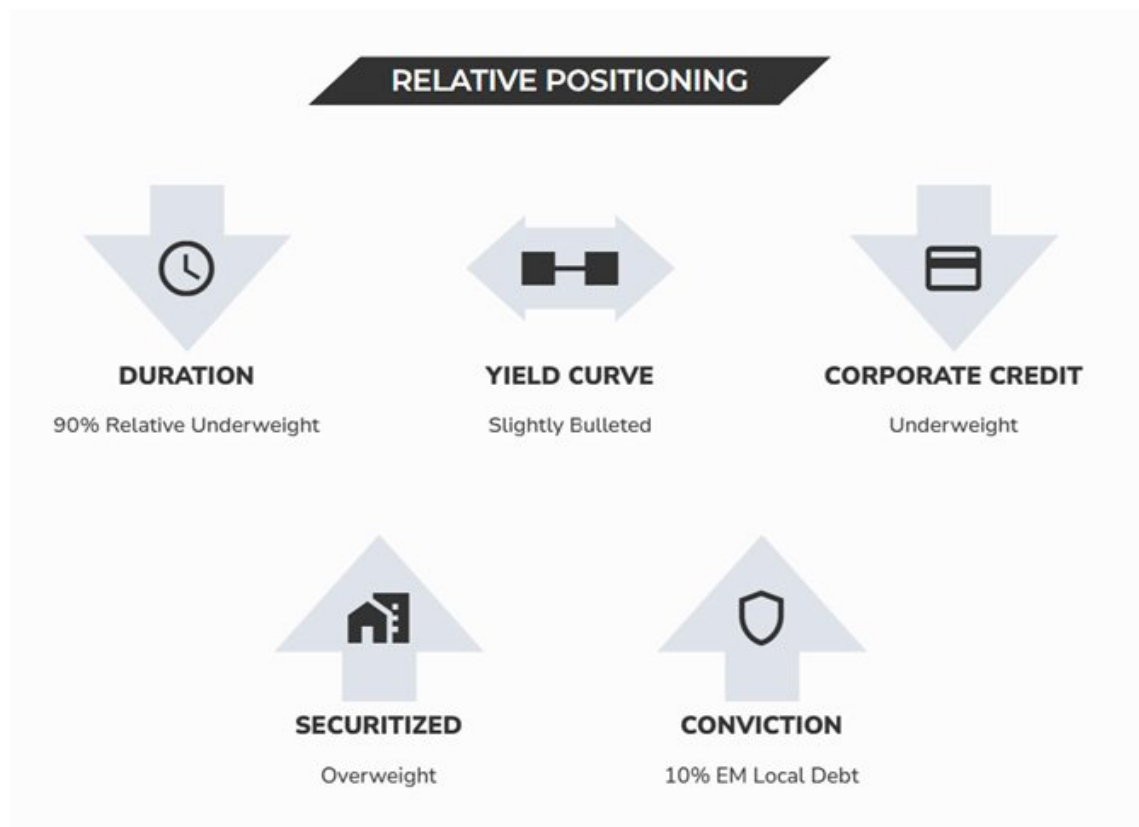
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## Key Takeaways

- In order to prepare for a potential increase in rates, the Bianco Research Fixed Income Total Return Index (BTRINDEX) is under-weight compared to the benchmark's duration, highlighting a defensive stance against interest rate volatility.
- BTRINDEX is underweight to corporate credit amid elevated issuance, signaling a pivot toward higher-quality, yield-efficient sectors.
- The strategy introduced a 10% position in emerging market local debt through the [WisdomTree Emerging Markets Local Debt Fund \(ELD\)](#), showcasing its active tilt toward global diversification amid shifting fixed income dynamics.

The month of April will go down in media lore as a month to remember for the financial markets. We have been advocating an [active-passive barbell strategy as our core solution for fixed income investors](#) as a way to navigate what we thought would be an uncertain and volatile investment landscape. This time-tested approach offers investors a means of having flexibility for what will ultimately lie ahead, with the “active” portion of the solution offering a means to be responsive to changing investment conditions. The Bianco Research Fixed Income Total Return Index (BTRINDEX) is an active core strategy that underscores the importance of this approach to fixed income investing, where a repositioning was recently implemented.

BTRINDEX is based on qualitative and quantitative inputs, including economic data and interpretations of government policy. The characteristics below reflect how BTRINDEX would presently position a portfolio of fixed income ETFs seeking to achieve maximum total return over a comparable baseline or a benchmark neutral portfolio of fixed income securities.



## Rationale

Let's look at the rationale behind this repositioning using the five key areas involved.

- **Duration:** The Index shifted from a neutral duration to an under-weighted position. As a result, BTRINDX now has a 90% under-weight compared to the benchmark's duration, which is designed for a potential rise in interest rates.
- **Yield Curve Position:** The Index continues to have a bulleted yield curve position, with an over-weight to the middle part of the construct. A bulleted structure is a bond strategy that focuses on maturities that are concentrated around a similar maturity on the yield curve.
- **Corporate Credit:** BTRINDX is 70% under-weight in credit due to strong corporate bond issuance, i.e., increased supply.
- **Securitized:** Due to relative value considerations, BTRINDX increased its over-weight exposure to MBS from 130% to 150% relative to the benchmark.
- **Conviction:** BTRINDX removed its 20% allocation to senior loans and positioned to a 10% allocation to emerging market local debt in [WisdomTree's Emerging Markets Local Debt Fund \(ELD\)](#).

## Conclusion

The potentially changing bond investment landscape and heightened volatility compared to years past can present a challenging backdrop for fixed income investors. The [WisdomTree Bianco Total Return Fund](#)

(WTBN), which seeks to track the price and yield performance, before fees and expenses, of BTRINDX, offers investors an active core strategy to help navigate their bond portfolio for what may lie ahead.

## Important Risks Related to this Article

Unless otherwise stated, all charts in this blog post are sourced from Bianco Research as of April 11, 2025. There are risks associated with investing, including the possible loss of principal. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

**ELD:** Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Derivative investments can be volatile, and these investments may be less liquid than other securities and more sensitive to the effects of varied economic conditions.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall, income may decline. 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. Unlike typical exchange-traded funds, there is no index that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objective will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs.

**WTBN:** 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. 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. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets.