Shining a Light on the Quiet Star Performer

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Key Takeaways

- Despite tight credit spreads, WisdomTree U.S. Short Term Corporate Bond Fund's (QSIG) disciplined screening for strong fundamentals and income potential positions it as a quality-driven alternative to traditional short-term bond benchmarks.
- Investors seeking stability with competitive yield and duration may find QSIG's systematic, rules-based approach particularly compelling in today's uncertain fixed income landscape.

In previous blog posts we've spent a lot of time diving into some of the most discussed strategies within our fixed income suite, highlighting how investors can use them to navigate today's dynamic markets. But today, we're shifting our focus to one of the lesser known but consistently impressive members of the lineup: the WisdomTree U.S. Short Term Corporate Bond Fund (QSIG).

While it hasn't always been front and center in our content, QSIG has quietly built a solid reputation for performance. In this post, we'll take a closer look at what makes this Fund unique and why it may deserve a place in more investors' portfolios.

How Is QSIG Constructed?

QSIG is designed to offer targeted exposure to high-quality, short-duration U.S. corporate bonds through a disciplined and rules-based approach. The Fund tracks the WisdomTree U.S. Short Term Quality Corporate Bond Index, an alternatively weighted benchmark built to identify investment-grade issuers with strong fundamentals and attractive income characteristics.

The methodology involves a multi-step screening process. First, it assesses corporate fundamentals to filter out weaker issuers. Then it tilts toward issuers that offer relatively higher income potential, ensuring a combination of quality and yield that many traditional market cap-weighted benchmarks don't address as explicitly.

Despite its unique selection process, QSIG maintains index characteristics that are broadly in line with the market. According to the most recent index statistics:

- **Yield to worst:** 4.65% for the post-rebalance Index versus 4.66% for the ICE BofA 1–5 Year US Corporate Index
- **Duration:** 2.4 versus 2.6, respectively

Figure 1: Index Statistics Comparison

Index Statistics	WisdomTree U.S. Short Term Quality Corporate Bond Index		ICE BofA 1-5 Year US Corporate Index
	Post-Rebalance Index	Pre-Rebalance Index	
Yield to Worst	4.65%	4.63%	4.66%
Duration	2.7	2.4	2.6
Minimum Par Size ($Mil)	350	350	250
Issuer Cap	5%	5%	-
# of Bonds	1,684	1,590	4,212

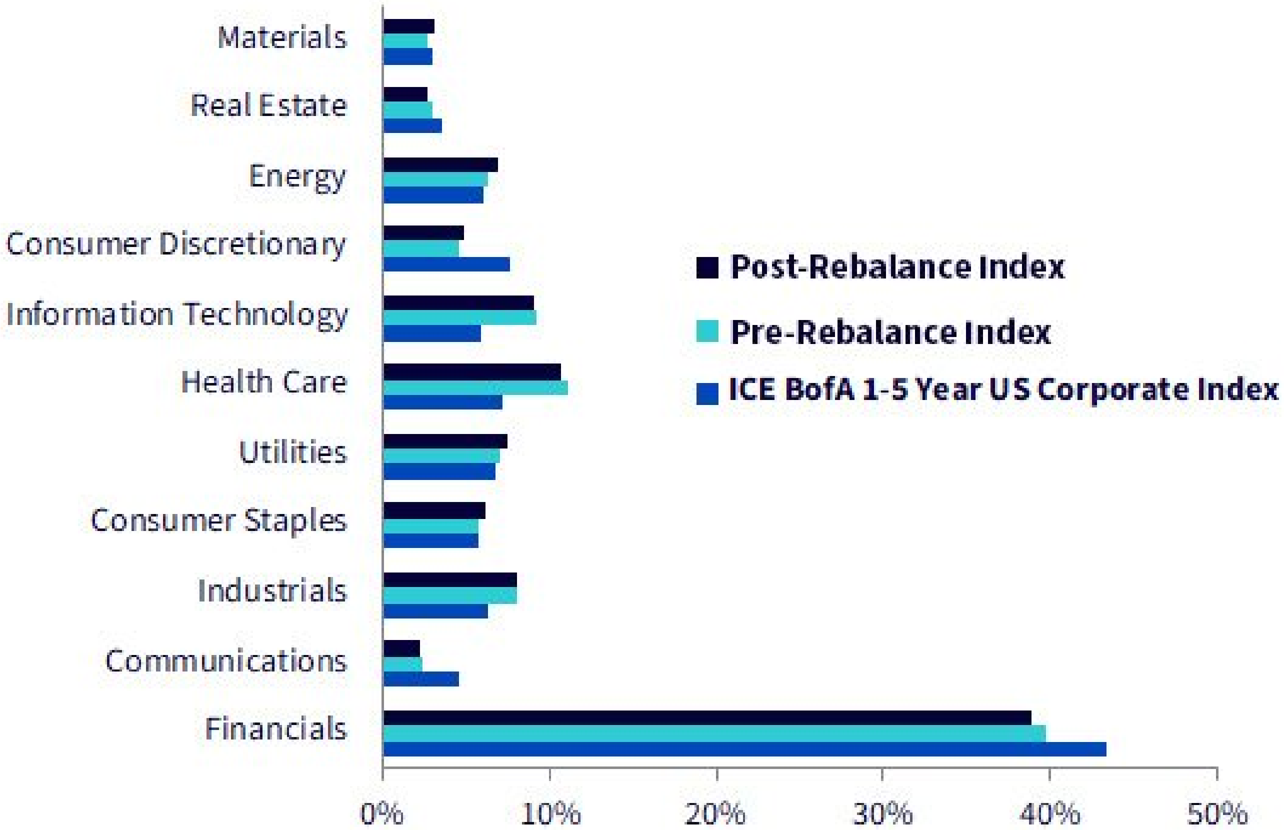
Sources: WisdomTree, Bloomberg, Merrill Lynch, as of 5/30/25. You cannot invest directly in an index. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performance, click here. To download a copy of the Fund's prospectus, click here.**

This alignment in duration and yield helps ensure that QSIG doesn't take on unintended risk while still adding value through its selection methodology.

Looking at sector positioning, after the latest rebalance in May, the Index versus the ICE BofA 1-5 Year US Corporate Index is:

- Under-weight in Consumer Discretionary (by 2.8%) and Financials (by 4.6%)
- Over-weight in Health Care (by +3.5%) and Information Technology (by +3.1%)

Figure 2: Index Sectors



Sources: WisdomTree, Bloomberg, Merrill Lynch, as of 5/30/25.

YTD Performance and Peer Comparison

From a performance perspective, QSIG has delivered solid results so far in 2025. Year-to-date (YTD), the Fund has returned 3.82% after management fees (3.91% before fees), which is in line with its market cap-weighted benchmark, the ICE BofA 1-5 Year US Corporate Index (also at 3.91%).

However, where QSIG really shines is in comparison to its peer group within the Morningstar Short-Term Bond category. QSIG has been ranked in the top 21st and 17th percentile among approximately 560 funds in that category YTD and in the past year, respectively. It is also worth mentioning it currently has Gold Morningstar Medalist Rating, a reflection of the Fund's robust process, experienced management and its performance.

Figure 3: Morningstar Percentile Rankings

	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year
Total Return % (Price)	1.21	1.84	3.78	7.16	4.79	1.81	N/A
Total Return % (NAV)	0.96	1.81	3.73	7.07	4.77	1.85	N/A
Category (NAV)	0.86	1.60	3.30	6.47	4.62	2.17	2.22
Index	0.63	1.24	2.87	5.89	3.70	1.53	1.83
Quartile Rank							–
Percentile Rank	24	16	21	17	41	64	–
Tax Adj. Returns %*	0.81	1.35	2.80	5.14	3.17	0.65	–
Percentile Rank (tax)	21	16	25	17	40	68	–
Tax Cost Ratio	–	–	–	1.80	1.53	1.18	–
# of Invest. in Cat.	561	560	560	556	527	484	371

Source: Morningstar, as of 6/30/25. Past performance, rankings and ratings are no guarantee of future results. The % of Peer Group Beaten is the funds' total-return percentile rank compared to all funds within the same Morningstar Category and is subject to change each month. Regarding ranking of funds, 1 = Best. **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. For the most recent month-end and standardized performance, click here.**

Conclusion: The Case for Quality in Fixed Income

In a market like today's, with tight credit spreads and a lot of uncertainty still hanging around, it's especially important for investors to focus on quality in their fixed income portfolios. That focus can help steer clear of troubled issuers and limit the chances of unwanted surprises.

QSIG embodies this philosophy through its systematic and disciplined approach. By screening on corporate fundamentals and tilting toward issuers with favorable income characteristics, it provides investors with exposure to high-quality credit while maintaining competitive yield and duration characteristics.

For investors seeking short-duration exposure without compromising on quality or yield, QSIG may just be the quiet achiever they've been looking for.

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. 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.