BondBloxx™

A More Precise, Lower Cost Way to Invest in U.S. Treasuries

U.S. TREASURY ETF OVERVIEW

U.S. Treasury ETFs are an efficient and simple way for investors to access U.S. Treasuries to generate income in portfolios. They currently represent over $200 billion in assets within the $1.2 trillion U.S. fixed income ETF marketplace. However, nearly all U.S. Treasury ETFs provide exposure to bonds with a range of different maturities, which presents challenges for investors managing their portfolios to a target duration.

Duration is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher the duration, the more sensitive a bond investment will be to changes in interest rates. Duration management is important for optimizing investment returns, managing risk, and ensuring that a portfolio aligns with an investor's financial objectives and risk tolerance.

THE PROBLEM OF DURATION DRIFT IN MOST U.S. TREASURY ETFs

Managing duration exposure in investment portfolios with broad range maturity-based U.S. Treasury ETFs can be challenging given that the duration of these funds fluctuates over time. Specifically, as interest rates rise or fall, the duration of U.S. Treasuries in these funds drift lower or higher over time, known as "duration drift," and this drift can sometimes be quite dramatic. Investors who own maturity-based U.S. Treasury ETFs must diligently monitor and rebalance their portfolios to maintain their desired duration exposure.

Duration drift that may be experienced by investors in U.S. Treasury ETFs tracking single on-the-run maturity or maturity-range indices is illustrated in Figure 2 and Figure 3. Figure 2 highlights the duration drift during the 28 year history of the ICE BofA Current 10-Year U.S. Treasury Index, which reflects the strategy of holding and rolling the "on-the-run" (most recently issued) 10-year U.S. Treasury. The chart shows a wide duration range of 6.81 to 9.73 over the time period, with the peak duration experienced on 8/31/2020. After 2022's dramatic rise in rates, the duration of the 10-Year index has been in a range that is over one year shorter, and was 7.91 as of 12/31/2024.

Similarly, Figure 3 illustrates that a broader maturity range index, represented here by the ICE BofA 7–10 Year U.S. Treasury Index, experienced duration drift between 5.85 and 8.11 over the past 28 years, and was near a multi-year low of 7.08 as of 12/31/2024.

INVEST MORE PRECISELY WITH BONDBLOXX U.S. TREASURY ETFs

BondBloxx U.S. Treasury ETFs are designed to offer investors a more precise, lower cost way to invest in U.S. Treasuries. The suite of eight ETFs may be used to help investors express views across the yield curve and precisely manage portfolio duration.

BondBloxx U.S. Treasury ETFs are less than half the cost of the average expense ratio of U.S. Treasury ETFs, and they are the only ETFs that focus on stable duration exposure.[1]

FIGURE 1: BondBloxx Target Duration U.S. Treasury ETFs

TICKER	ETF NAME	EXPENSE RATIO
XHLF	BondBloxx Bloomberg Six Month Target Duration US Treasury ETF	0.03%
XONE	BondBloxx Bloomberg One Year Target Duration US Treasury ETF	0.03%
XTWO	BondBloxx Bloomberg Two Year Target Duration US Treasury ETF	0.05%
XTRE	BondBloxx Bloomberg Three Year Target Duration US Treasury ETF	0.05%
XFIV	BondBloxx Bloomberg Five Year Target Duration US Treasury ETF	0.05%
XSVN	BondBloxx Bloomberg Seven Year Target Duration US Treasury ETF	0.05%
XTEN	BondBloxx Bloomberg Ten Year Target Duration US Treasury ETF	0.075%
XTWY	BondBloxx Bloomberg Twenty Year Target Duration US Treasury ETF	0.125%

Key Features

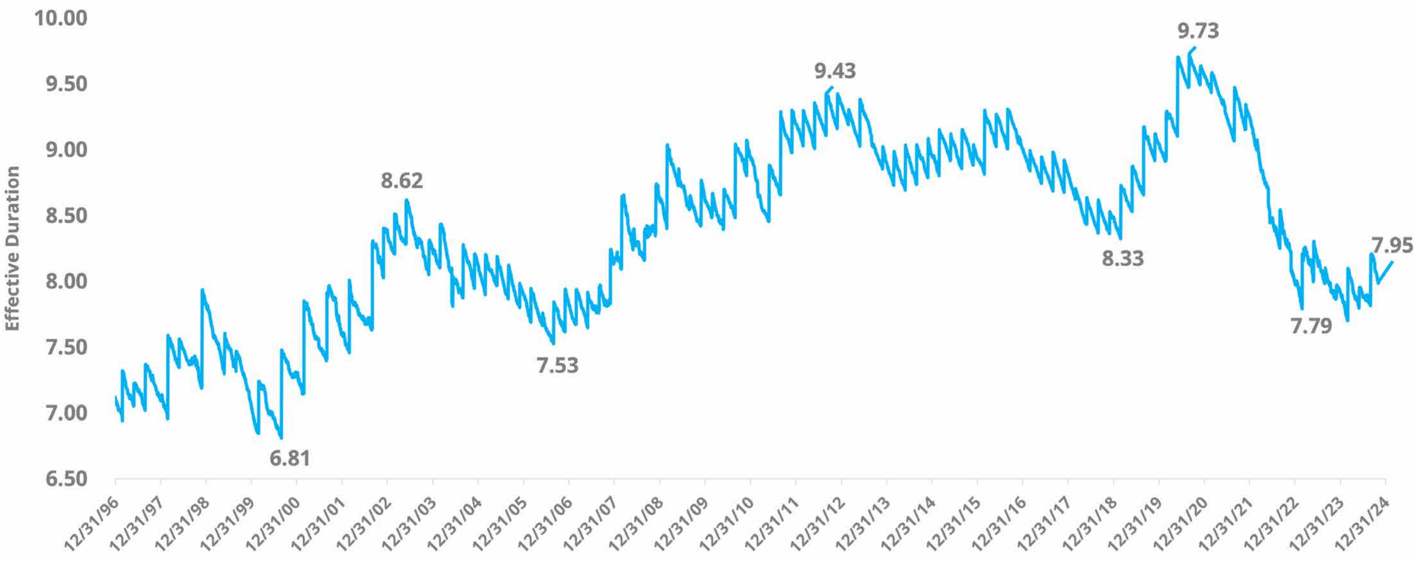
- Precise, lower cost way to invest in U.S. Treasuries
- Ease of use, liquidity, transparency, and tax efficiency
- Allow for rapid implementation and management of portfolio duration

Use Case Ideas

- Position opportunistically along the U.S. Treasury curve to navigate outlook for interest rates
- Manage strategic cash with low volatility, short term U.S. Treasury ETFs
- Redeploy broad allocations into more precise duration exposures
- Minimize ongoing rebalancing requirements

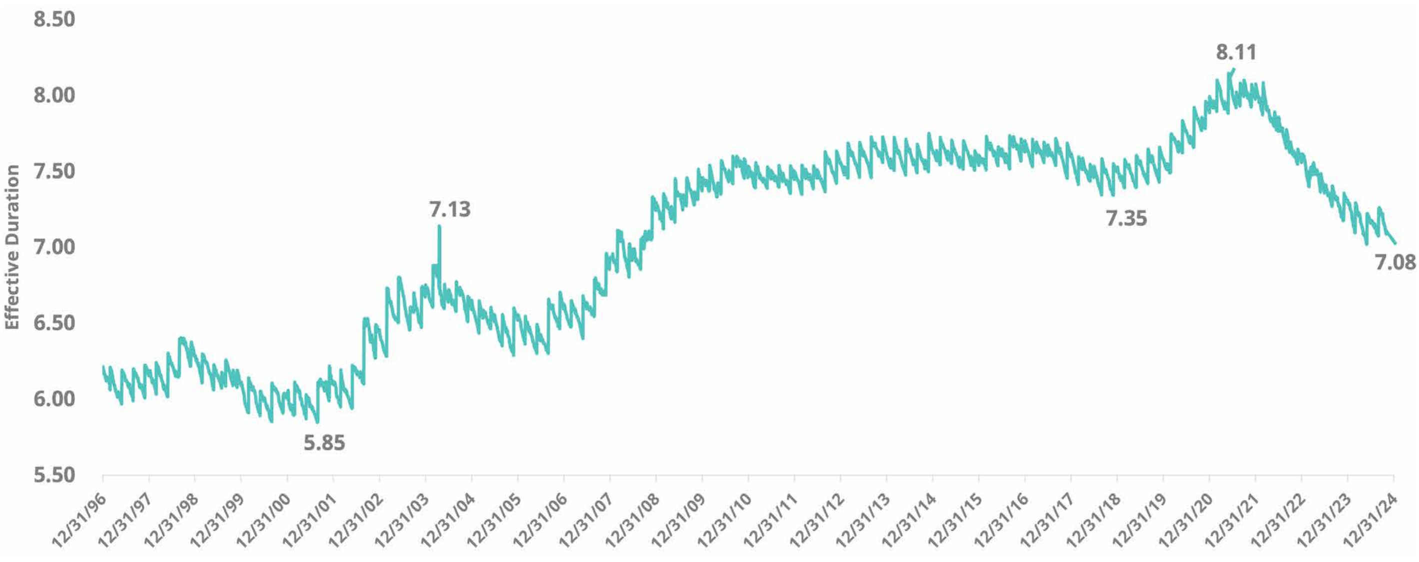
1. Source: Bloomberg, as of 12/31/24. The average expense ratio of U.S. Treasury ETFs available in the U.S. is 0.14%, compared to the average expense ratio of 0.06% for BondBloxx U.S. Treasury ETFs.

FIGURE 2: **Duration Drift in an On-the-Run Index: the ICE BofA Current 10-Year U.S. Treasury Index**



Source: ICE Data Services, as of 12/31/2024.

FIGURE 3: **Duration Drift in a Maturity-Range Index: the ICE BofA 10-Year U.S. Treasury Index**



Source: ICE Data Services, as of 12/31/2024.

MANAGE DURATION PRECISELY AND AVOID DRIFT WITH BONDBLOXX ETFs

Target duration U.S. Treasury indices, by design, maintain a constant level of duration sensitivity throughout varied yield environments, without the investment complexity of monitoring for duration drift and executing rebalances, as illustrated in Figure 4.

The BondBloxx Target Duration U.S. Treasury ETFs track indices from Bloomberg Index Services, based upon duration-constrained subsets of U.S. Treasury bonds with over $300 million outstanding (Figure 4). In accordance with the index methodology, the BondBloxx Target Duration U.S. Treasury ETFs are rebalanced monthly by the BondBloxx portfolio management team to each target duration.

FIGURE 4: Target Duration of the Bloomberg U.S. Treasury 10-Year Duration Index

Source: Bloomberg Data Services, as of 12/31/2024.

Takeaways

BondBloxx Target Duration U.S. Treasury ETFs seek to offer investors a more precise way to invest in U.S. Treasuries without the investment complexity of monitoring duration drift and constantly buying and selling different ETFs to maintain target duration. Combined with their ease of use, liquidity, transparency, low management fees, and tax efficiency, our ETFs can help investors quickly implement and maintain their preferred U.S. Treasury exposure in portfolios.

Glossary and Index Definitions

THE BLOOMBERG U.S. TREASURY TARGET DURATION INDICES are a suite of 8 indices designed to target a specific duration using U.S. Treasury securities. The 8 durations targeted are 6 Month, 1 Year, 2 Year, 3 Year, 5 Year, 7 Year, 10 Year and 20 Year.

DURATION is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher the duration, the more sensitive a bond investment will be to changes in interest rates. As interest rates rise or fall over time, the duration of U.S. Treasury securities in broad maturity range indices, as well as the funds and ETFs that track those indices, drift lower or higher — this is known as "duration drift" and sometimes can be quite dramatic.

THE ICE BofA CURRENT 10-YEAR U.S. TREASURY INDEX is a one-security index comprised of the most recently issued 10-year U.S. Treasury note.

THE ICE BofA 7–10 YEAR U.S. TREASURY INDEX tracks the performance of U.S. dollar denominated government debt with minimum term to maturity greater than seven years and less than or equal to ten years.

YIELD is the annual rate of return on a bond. It has a reverse relationship with price such that as bond prices rise, yields fall.

YIELD TO MATURITY is the total interest rate earned by a bond bought at the market price and held until maturity.

Disclosures

Carefully consider the Funds' investment objectives, risks, charges, and expenses before investing. This and other information can be found in the Funds' prospectus or, if available, the summary prospectus, which may be obtained by visiting www.bondbloxxetf.com. Read the prospectus carefully before investing.

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