

Fixed Income Strategies

Finding the Optimal Maturity and Holding Period

- Dimensional uses the current yield curve as an estimate of future yield curves to construct a matrix of expected returns.
- For this example, the highest expected annualized return, 5.73%, is for a strategy of buying instruments with 18 month maturities and selling them in 3 months when their maturities are 15 months.

		Maturity (Months) at Time of Sale							
		21	18	15	12	9	6	3	0
Maturity (Months) at Time of Purchase	24	4.65	4.32	4.79	4.50	4.39	4.22	4.07	3.90
	21	3.98	4.85	4.45	4.32	4.13	3.98	3.79	3.76
	18	5.73	4.68	4.44	4.17	3.98	3.76	3.54	3.37
	15	3.64	3.80	3.65	3.51	3.35	3.29	3.22	2.94
	12	3.95	3.95	3.65	3.30	3.08	2.94	2.66	
	9								
	6								
	3								
	0								