# Five takeaways about bonds

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1

**Attractive yield:** Given today's higher interest rates, bond yields are healthier than they've been in over a decade.

**Takeaway:** After a steep rate hiking cycle, short duration yield opportunities are particularly compelling to potentially enhance income and/or total return profile. As the yield curve moves to upward sloping, these opportunities will shift.

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**Provides diversification:** Bonds can help preserve capital and provide downside protection.

**Takeaway:** With a traditionally low correlation to equities, bonds can be an important building block of a well-balanced portfolio.

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**Long-term outlook for bonds is bright:** As the rate hiking cycle comes to an end across many regions, this typically bodes well for bonds.

**Takeaway:** Bonds are back, but the rate of change in interest rates will depend on several factors, including the rate of economic recovery. While historically less volatile than equity investments, bonds can experience fluctuations in value. Bond investments are best incorporated into an overall long-term approach to investing.

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**Active management is key:** A skilled bond fund manager can engage in in-depth analysis to evaluate and select bonds and employ strategies that can mitigate interest rate and reinvestment risk. Depending on the nature of the bond fund, managers can diversify across different bond issuers, credit qualities, sectors and geographies to achieve the right balance of risk and reward.

**Takeaway:** Active management and the skill of a specialized investment manager is needed to capture opportunity and mitigate risk in the current environment.

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**Supports income and diversification goals:** In addition to providing balance and growth in portfolios, select bonds may be particularly effective in generating a steady stream of income.

**Takeaway:** In general, in portfolio construction, the higher the risk profile and longer the time horizon, the more interest rate risk and credit risk is present. In general, bonds can be suitable for diversification and provide the potential to capture a healthy return over time through both yield and price appreciation.

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