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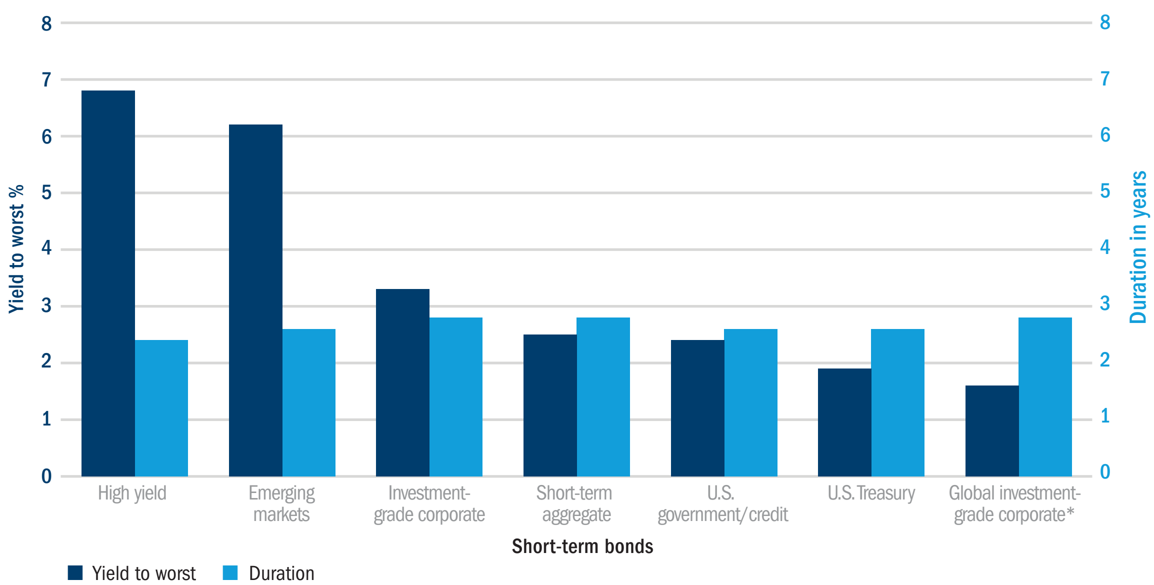
Diversifying short-term fixed-income asset classes can enhance total return potential

High yield and emerging market debt produce the most yield relative to duration



Source: Bloomberg, data as of 08/31/21. The calculation is based on the average data from 01/01 to 08/21.
Past performance is not a guarantee of future results.

*For global investment-grade corporate bonds, data starts from 04/18. Yield to worst and duration represented by applicable Bloomberg Indices, described below. It is not possible to invest directly in an index. Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

Faced with historically low bond yields and high equity market valuations, investors have allocated significant assets to benchmark-tracking short-term bond strategies for a lack of a better solution.

Rather than investing in traditional benchmark solutions, investors should consider a short-term bond strategy that includes high yield and emerging market debt. This can offer materially higher yield without increasing duration — something that brings a risk of volatile price changes if interest rates change.

Indices Used: High-Yield: The Bloomberg U.S. High Yield 1–5 Year Bond Index is a broad-based benchmark that measures the short-term U.S. dollar-denominated, high yield corporate bond market. It is comprised of U.S. dollar denominated, taxable corporate bonds that have a remaining maturity of less than five years. **Emerging Markets Debt**: The Bloomberg Emerging Markets USD Aggregate 1–5 Year Index Unhedged is a hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers with a remaining maturity of between one and up to five years. **Investment Grade Corporate**: The Bloomberg U.S. 1–5 Year Corporate Bond Index includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility and financial companies, with maturities between one and five years. **Short-Term Aggregate**: The Bloomberg Short-Term U.S. Aggregate Bond Index is a subset of the Bloomberg Barclays U.S. Aggregate Index and measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes treasuries, government-related and corporate securities with up to, but not including, five years to maturity. **U.S. Government/Credit**: The Bloomberg U.S. 1–5 Year Government/Credit Float Adjusted Index includes U.S. Treasury and agency obligations, as well as investment-grade (rated Baa3 or above by Moody's) corporate and international dollar-denominated bonds, all having maturities of one to five years. **U.S. Treasury**: The Bloomberg 1–5 Year U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade, and have $250 million or more of outstanding face value. **Global Investment Grade Corporate**: Bloomberg Global Aggregate Corporate 1–5 Year Index is a measure of global investment-grade, fixed-rate corporate debt with a remaining time to maturity of between one and up to, but not including, five years. This multi-currency benchmark includes bonds from developed and emerging market issuers within the industrial, utility and financial sectors. Indices shown are unmanaged and do not reflect the impact of fees. It is not possible to invest directly in an index.

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