Get off the sideline and consider investment-grade bonds

Over the past 50 years investment-grade bonds have historically thrived during recessionary periods

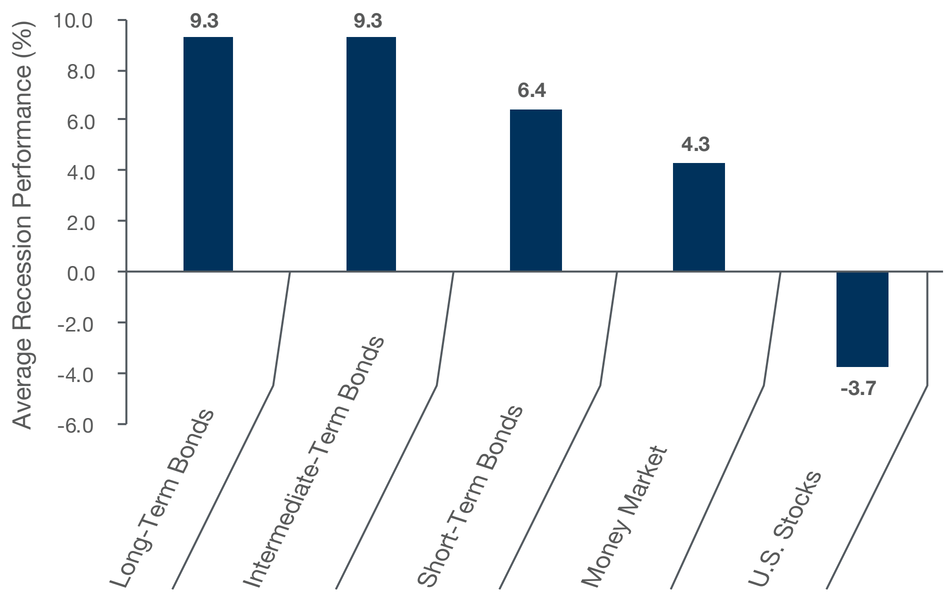
Amid uncertainty around interest rates, economic growth, and a potentially looming recession, investors seeking the safe-haven of cash may miss out on potential opportunity. Instead of sitting on the sideline, investment-grade bonds may offer the resilient edge you seek for your portfolio.

Investment-grade bonds have tended to perform well during recessionary periods

Performance During Recessions (1973 – 2023)

	Dec 73 – Mar 75	Feb 80 – Jul 80	Aug 81 – Aug 82	Jul 90 – Mar 91	Mar 01 – Nov 01	Jan 08 – Jun 09	Mar 20 – Apr 20
Long-Term Bonds	3.25	9.36	28.39	7.75	3.59	5.72	7.12
Intermediate-Term Bonds	5.66	9.48	25.88	8.85	6.34	5.43	3.12
Short-Term Bonds	3.62	8.77	22.25	7.10	5.29	-0.35	-1.61
Money Market	3.70	5.09	11.78	5.41	2.56	1.43	0.07
U.S. Stocks	-5.91	9.58	-2.54	6.37	-7.18	-24.97	-1.12

Average recession performance (1973 – 2023)



Sources: Morningstar, 12/31/23. U.S. stocks is represented by the average of IA SBBI U.S. Large Cap TR Index and the S&P 500 Index, U.S. intermediate term bonds by the IA SBBI U.S. IT Bond Index, long term bonds by the IA SBBI U.S. LT Bond Index, short-term bonds by the Morningstar Short-Term Bond category, and money market represented by the Morningstar Taxable Money Market category. Past performance does not guarantee future results. It is not possible to invest directly in an index. Index definitions can be found at the end of this piece.

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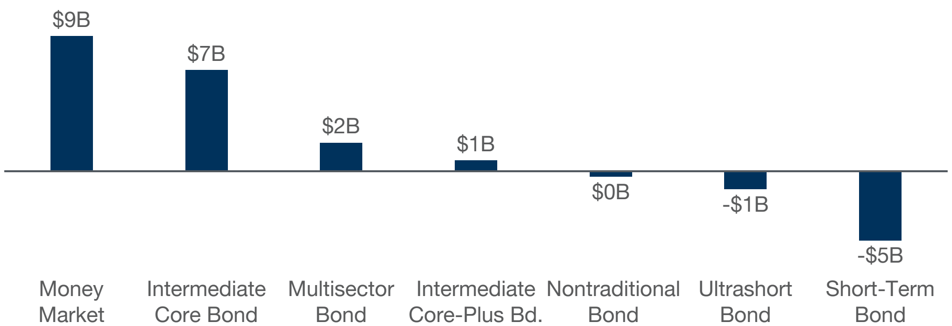
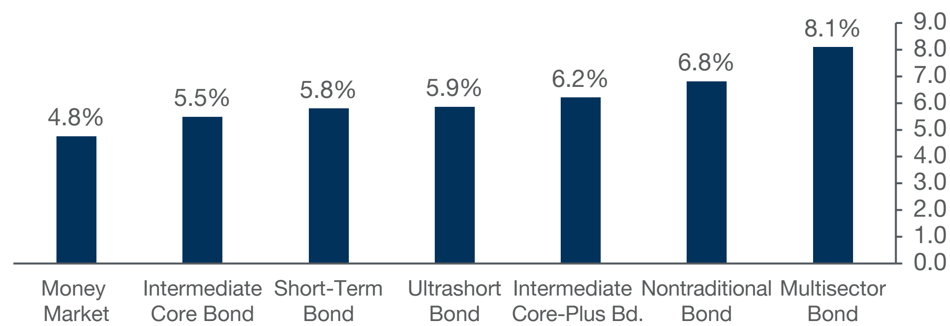
For the year of 2023, multisector bonds outperformed, but flows to money markets dominated

Over the past year, investors have moved significant amounts of money into money market accounts as compared to other fixed-income instruments. However, when looking at performance over that same period, multisector bonds seem to be providing better overall results.

Money Market and Bond Flows
Mutual Funds and ETFs (1/1/23 - 12/31/23)



Year-to-Date Performance
(1/1/23 - 12/31/23)



Source: Morningstar, 12/31/23. All money market and bond asset classes are represented by their respective Morningstar category average. Past performance does not guarantee future results. It is not possible to invest directly in an index. Index definitions can be found at the end of this piece. Money Market is represented by the Morningstar Prime Money Market category, Intermediate core-bond by the Morningstar Intermediate Core Bond category, Intermediate core-plus bond by the Morningstar Intermediate Core-Plus Bond category, Multisector bond by the Morningstar Multisector Bond category, Nontraditional bond by Morningstar Nontraditional Bond category, Ultrashort bond by the Morningstar Ultrashort Bond category and Short-term bond by the Morningstar Short-Term Bond category.

Before you invest

All investments are subject to market risk, including possible loss of principal. Asset allocation and diversification cannot assure a profit or protect against loss in a declining market. Past performance is no guarantee of future results.

For more information

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The IA SBBI Long-Term Government Index measures the performance of a single issue of an outstanding US Treasury bond with a maturity term of around 21.5 years. **The IA SBBI US IT Govt TR USD Index** measures the performance of a single issue of outstanding U.S. Treasury note with a maturity term of around 5.5 years. **The IA SBBI US Large Stock Total Return Index** tracks the monthly return of S&P 500. The history data from 1926 to 1969 is calculated by Ibbotson. **The S&P 500 Index** is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. **The Morningstar Taxable Money Market Category** consists of portfolios that invest in short-term money market securities in order to provide a level of current income that is consistent with the preservation of capital. **The Morningstar Short-Term Bond category** consists of portfolios that invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). **The Morningstar Prime Money Market category** consists of portfolios that invest in short-term money market securities in order to provide a level of current income that is consistent with the preservation of capital. **The Morningstar Intermediate Core Bond category** consists of portfolios that invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, and hold less than 5% in below-investment-grade exposures. **The Morningstar Intermediate Core-Plus Bond category** consist of portfolios that invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. **The Morningstar Multisector Bond category** consist of portfolios that seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. **The Morningstar Nontraditional Bond category** typically include a mix of: absolute return mandates; goals of producing returns not correlated with the overall bond market; performance benchmarks based on ultrashort-term interest rates such as Fed funds, T-bills, or Libor; the ability to use a broad range of derivatives to take long and short market and security-level positions; and few or very limited portfolio constraints on exposure to credit, sectors, currency, or interest-rate sensitivity. **The Morningstar Ultrashort Bond category** consist of portfolios that invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year.

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