

5 Things you Need to Know About: Bond Investing

People looking to invest in bonds should consider several key factors before making a commitment.

1. ACCESSING BONDS

There are many different ways for investors to access the \$130 trillion global bond market.

Invest directly into individual bonds	
VIA AN EXCHANGE Some exchanges offer bonds	VIA A BROKER The majority of bonds are sold over-the-counter via brokers

Invest in a range of bonds through a fund	
IN AN ACTIVE FUND A portfolio of bonds actively managed by a fund manager according to a set strategy	IN A PASSIVE FUND A portfolio of bonds that passively tracks an index

2. THE RISKS OF INVESTING

INTEREST RATE RISK

The risk that a bond's price will fall when interest rates rise.

INFLATION RISK

The risk that a bond's future purchasing power will be eroded by the increasing cost of goods and services.

DEFAULT RISK

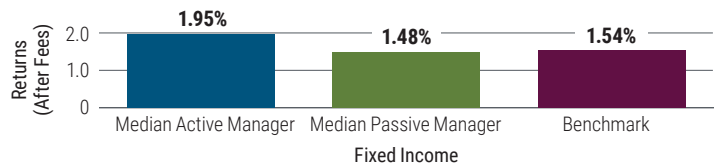
The risk that the issuer of the bond cannot pay the coupons or the value of the bond at maturity.

REINVESTMENT RISK

The risk of reinvesting money from mature bonds into new bonds with lower interest rates.

3. ACTIVE VS. PASSIVE INVESTMENT

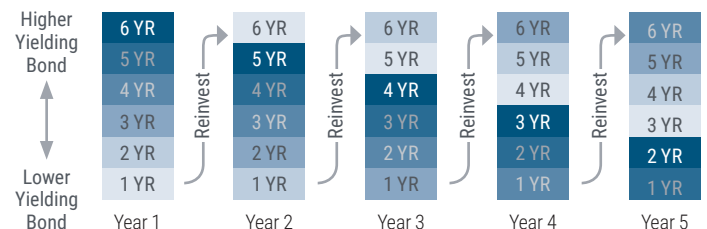
Active managers use their expertise to manage risks and select investments. As the chart below shows, active fixed income managers outperformed passive managers and the benchmark index over the 10-year period ended 30 June 2023.



Source: Morningstar Based on Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories. Institutional share class. Benchmarks: Fixed Income = Bloomberg U.S. Aggregate Index. **Past performance is not a guarantee or a reliable indicator of future results.**

4. BOND LADDERS

Bond ladders may be used by investors to help manage interest rate and reinvestment risk. By investing in a range of bonds with different maturity dates, the investor can reinvest the proceeds from their maturing bonds into potentially higher-yielding securities.



5. COMPARING BONDS

Three key things to consider when choosing to invest in bonds or bond funds include:



Source: PIMCO. **For illustrative purpose only.**

*Expense ratios are specific to fund investments.

Charts are provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

All dollar amounts referenced are in USD and source citations are PIMCO unless otherwise noted.

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed.

Bloomberg U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. **It is not possible to invest directly in an unmanaged index.**

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. No representation is being made that any account, investment product, or strategy will or is likely to achieve profits, losses, or results similar to those shown. Investors should consult their investment professional prior to making an investment decision.

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