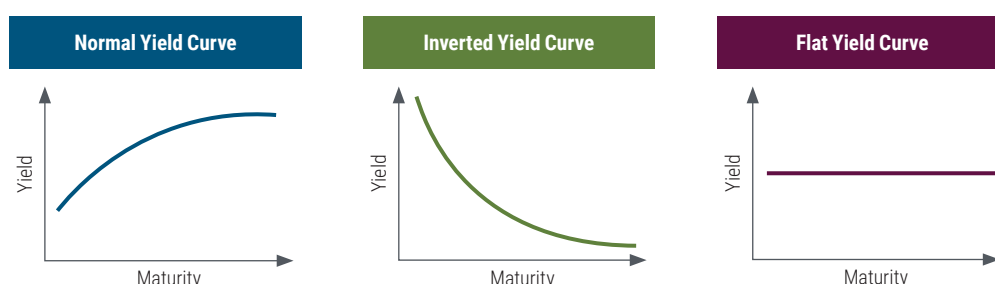


The Yield Curve: What It Means for Bond Investors

The yield curve shows the interest rates (yields) on bonds of similar credit quality across different maturities. For bond investors, its shape helps explain where income is available today and how market expectations may be changing.

The three main yield curve shapes



What it shows	Longer maturity bonds offer higher yields than shorter maturity bonds.	Longer maturity bonds offer lower yields than shorter maturity bonds.	Yields are similar for both short and long maturity bonds.
When it happens	Common during periods of economic expansion.	During times of anticipated economic slowdown or recession	When the economy or policy outlook is in transition.
What it means	Market participants expect rates to go up. Investors demand higher yields to commit money for longer periods.	Market participants expect rates to fall.	May signal uncertainty about the future path of interest rates.
How investors may think about it	Balance income today with flexibility over time. For example, spread maturities across time or combine shorter- and longer-dated bonds.	Short-term yields may appear attractive but monitor reinvestment risk if rates eventually fall.	Prioritise flexibility and avoid over-committing to a single maturity.

Considerations for bond investors

- **Where income is available:** Some maturities offer higher yields than others.
- **How long to invest:** The yield curve can highlight trade-offs between locking in yields today and staying flexible.
- **What the yield curve can tell you:** It provides insight into the market's expectations for growth and inflation, but it does not predict the future. The yield curve is one indicator among many and should not be viewed in isolation.

Bottom line

For bond investors, the yield curve provides a simple way to compare yields across maturities and think about how long to commit capital.

Past performance is not a guarantee or a reliable indicator of future results.

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. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **High-yield, lower-rated, securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy. **Diversification** does not ensure against loss. **Investors should consult their investment professional prior to making an investment decision.**

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