PIMCO

5 Things you Need to Know About: Bonds

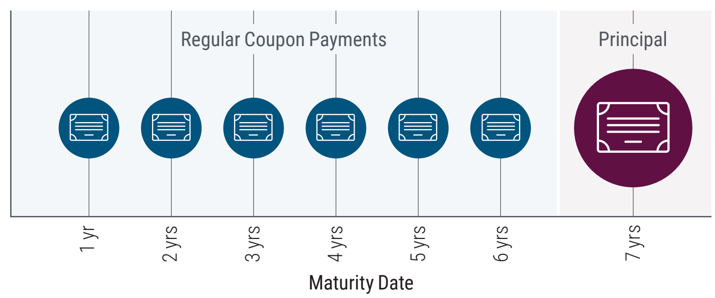
At around $130 trillion, the bond market is by far the largest securities market in the world. Typically issued by governments and corporations, bonds are viewed as a defensive investment that offer regular income. This diverse asset class could open up new and interesting opportunities for your investment portfolio.

1. THE LARGEST SECURITIES MARKET

Source: SIFMA 2023 Capital Market Factbook

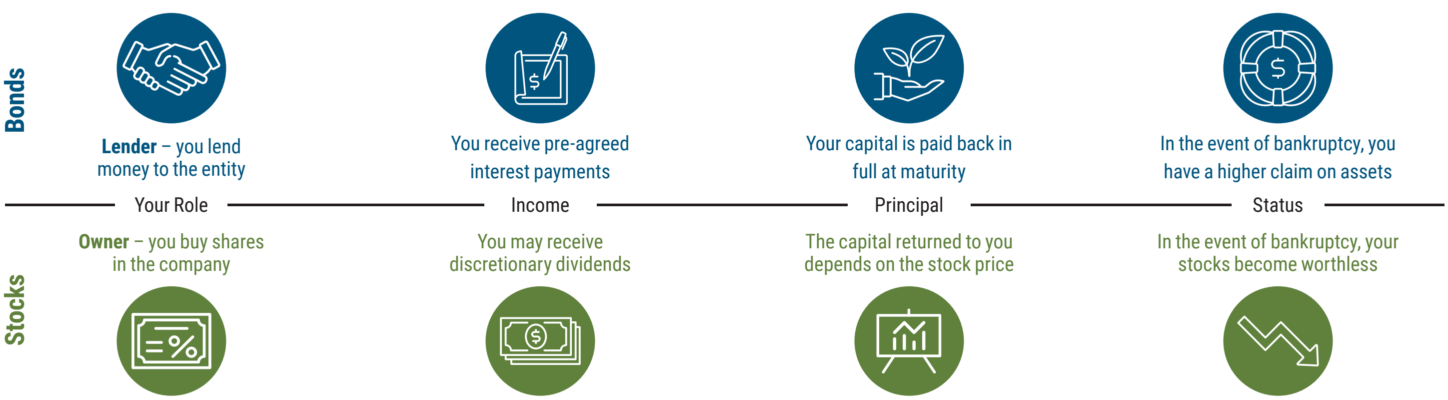
2. REGULAR INCOME

Bonds pay you regular income in the form of coupons. At maturity, you also get back your original investment called the principal.



Source: PIMCO

3. BONDS VS STOCKS

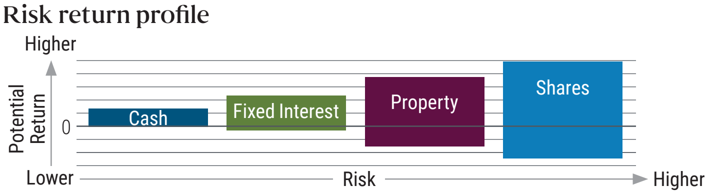


Source: PIMCO

4. DIVERSIFYING WITH BONDS

Bonds are a defensive asset class, which means they are generally less volatile than other investments, such as stocks. **Between 1989 and 2014, the worst year for bonds was 1994 when they returned -3%. For stocks, the worst year was 2008 when they returned -38%.**[1]

Risk return profile



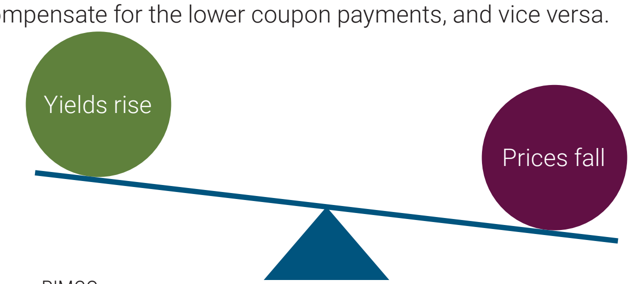
Source: PIMCO

Past performance does not predict future returns.

1 Global Financial Data; Equity: US Large Company Stocks (S&P 500), Fixed Income: US 10-year Treasury Bonds

5. BOND PRICING

Just like stocks, bonds can be traded on a secondary market. One of the key drivers of bond pricing on this market is interest rates. If rates rise, older bonds with lower rates will drop in price to compensate for the lower coupon payments, and vice versa.



Source: PIMCO

CMR2023-0907-3103003