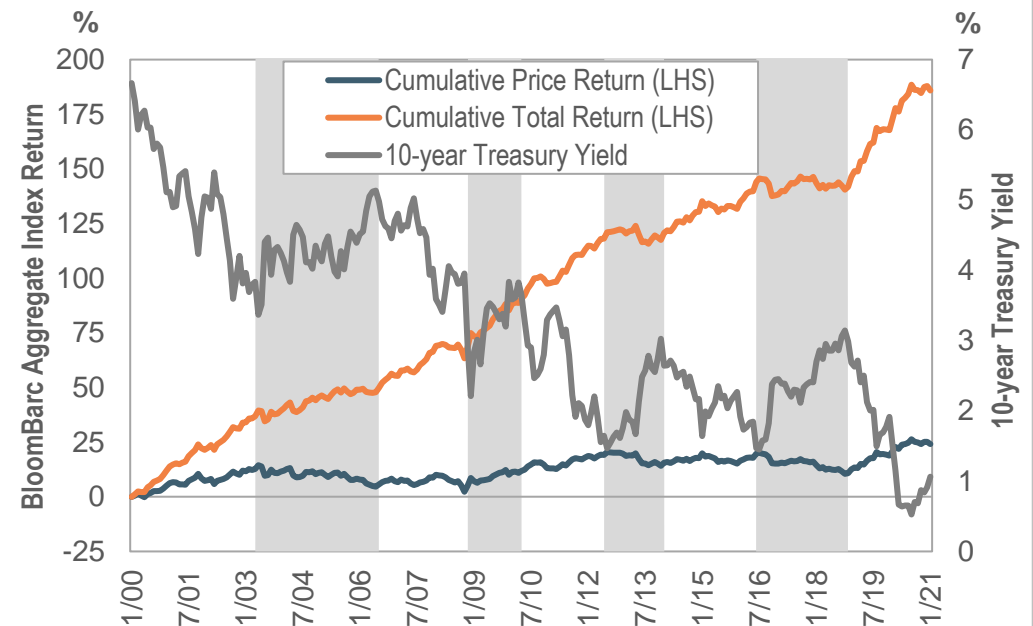
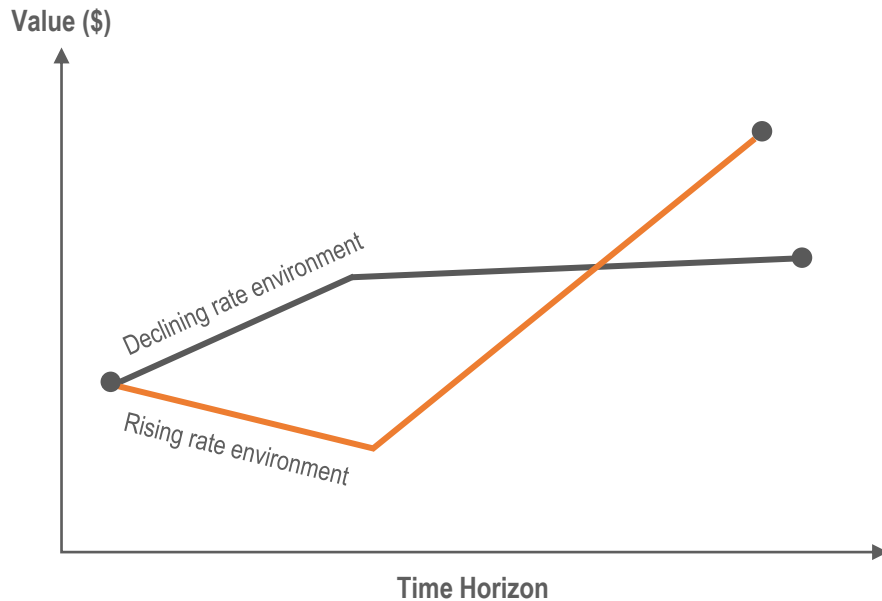


## Income is the Primary Driver of Return Over Time



- **Treasury rates are on the rise.** The 10-year and 30-year Treasury yields have nearly doubled since August 2020, increasing from 0.50% to 1.27% and 1.16% to 2.04%, respectively. Some investors believe this is the beginning of a longer-term trend of rising rates.
- **Higher yields are associated with negative fixed income returns.** However, investors have experienced periods of rising rates before, and despite higher yields, total returns were positive throughout or shortly after rates stabilized. This was the case during rising rate environments such as 2003-2006, 2008-2010, 2012-2013 and 2016-2018.
- **Short-term pain for long-term gain.** Although the mark-to-market value of a fixed income portfolio may fall, this can be offset by increasing income from higher reinvestment rates. For those investors with a long-term investment horizon, income return will eclipse price return.

Source: Bloomberg Barclays, Bloomberg and IR+M Analytics as of 1/31/21. Treasury yields as of 2/17/21. The chart on the left is for illustrative purposes only. Actual results may differ. Rising rate periods in grey from trough to peak of 17 months or longer, measured monthly, since 12/31/99 of the 10-year Treasury yield. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.