



Brandes features:

DECEMBER 2015

Rate Hikes Not Always Bad for Bonds

Bond Returns Remained Steady After Rising Treasury Yields

When bond prices drop, the specter of rising interest rates is a big concern for fixed-income investors. But what happens to total bond returns when yields rise?¹

- **Historically, not many large rate increases compromised bond returns.**
- **Corporate bonds outperformed the index in periods when 10-Year Treasury yields rose more than 1%.**

A Rare Occurrence

Only twice have corporate bond returns been negative when 10-year Treasury yields rose by more than 1%

Year	10-Year U.S. Treasury Yield Rise	ANNUAL TOTAL RETURNS		
		Barclays U.S. Aggregate Bond Index	Investment-Grade Corporate Bonds	High-Yield Corporate Bonds*
2013	+1.27%	-2.02%	-1.53%	7.44%
2009	+1.63%	5.93%	18.56%	58.21%
1999	+1.79%	-0.82%	0.16%	2.39%
1994	+2.03%	-2.92%	-2.66%	-1.03%
1987	+1.64%	2.76%	3.93%	4.99%
1983	+1.41%	8.37%	10.66%	n/a
1981	+1.55%	6.26%	8.99%	n/a
1980	+2.10%	2.71%	5.34%	n/a
1979	+1.18%	1.92%	3.35%	n/a
1978	+1.37%	1.40%	1.64%	n/a

Data covers all periods going back to Barclays U.S. Aggregate Bond Index inception 1/1/1976. The U.S. Aggregate Bond Index was created in 1986 with index history backfilled to 1976. Investment grade corporate bonds represented by Barclays U.S. Corporate Investment Grade Bond Index. High yield corporate bonds represented by Barclays U.S. Corporate High-Yield Bond Index.

*Inception date 7/1/1983. No data prior to 1983. Source: Bloomberg; Barclays, as of 12/31/2014. Annual total returns measure the 1-year total returns during the year referenced. Past performance is not a guarantee of future results. One cannot invest directly in an index.

There were only two times when corporate-bond returns were negative in the years of large rate increases (1% or more) in the 10-year U.S. Treasury Note.

Access Brandes' Bottom-Up, Value Approach to Bond Selection

Amid a constantly changing fixed-income environment, it is important to hire a manager that has the discipline and experience in navigating bond markets.

Brandes *value-bond** strategies offer:

- The potential for capital gains and attractive yield
- A focused, straightforward and transparent investment approach
- Team approach to managing portfolios

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*Value bonds: Bonds selling at a discount to our estimates of their intrinsic value.

The Barclays U.S. Aggregate Bond Index is an unmanaged index consisting of U.S. dollar-denominated, fixed-rate, taxable bonds. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976. The index is a total return index which reflects the price changes and interest of each bond in the index.

The Barclays U.S. Corporate Investment Grade Bond Index is an unmanaged index consisting of publicly issued U.S. Corporate and specified foreign debentures and secured notes that are rated investment grade by at least two ratings agencies, have at least one year to final maturity, and have at least \$250 million par amount outstanding. Securities must be rated investment grade (Baa3/BBB- or higher) by Moody's, S&P, and Fitch, respectively. When all three agencies rate an issue, a median or "two out of three" rating is used to determine Index eligibility by dropping the highest and lowest rating. When a rating from only two agencies is available, the lower ("most conservative") of the two is used. When a rating from only one agency is available, that rating is used to determine Index eligibility.

The Barclays U.S. Corporate High-Yield Bond Index is an unmanaged index consisting of U.S. dollar-denominated, non-investment-grade, fixed-rate, taxable corporate bonds. The index is a total return index which reflects the price changes and interest of each bond in the index.

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