

Notre Dame Law School

NDLScholarship

Indiana Continuing Legal Education Forum
2023

Indiana Continuing Legal Education Forum

1-1-2023

The Role of Fixed Income Investments

Indiana Continuing Legal Education Forum (ICLEF)

Follow this and additional works at: https://scholarship.law.nd.edu/iclef_2023

Recommended Citation

Indiana Continuing Legal Education Forum (ICLEF), "The Role of Fixed Income Investments" (2023).
Indiana Continuing Legal Education Forum 2023. 71.
https://scholarship.law.nd.edu/iclef_2023/71

This Article is brought to you for free and open access by the Indiana Continuing Legal Education Forum at NDLScholarship. It has been accepted for inclusion in Indiana Continuing Legal Education Forum 2023 by an authorized administrator of NDLScholarship. For more information, please contact lawdr@nd.edu.

The Role of Fixed Income Investments

August 2, 2023

<i>ICLEF Electronic Publications</i>	2
<i>MANUAL - The Role of Fixed Income Investments - August 2, 2023</i>	3
<i>Program Description and Faculty</i>	6
<i>Faculty Bios</i>	7
<i>8.2.23 ICLEF Fixed Income Slide Show.pdf</i>	7
Slide 1: The role of fixed income investments	9
Slide 2: Important disclosures	10
Slide 3: Fixed income could offer several benefits to your portfolio	11
Slide 4: Investing in fixed income was not without its challenges in 2022	12
Slide 5: What history shows us about the role of Fixed Income during prior periods of market stress	13
Slide 6: The CIO's views on fixed income remains favorable for 2023	14
Slide 7: Maintaining a disciplined investment approach can help smooth the ride	15
Slide 8: You can access fixed income through a range of solutions	16
Slide 9: Managed bond ladder solutions can offer a number of potential benefits	17
Slide 10: Professional investment management in an investment advisory program can offer a range of benefits	18
Slide 11: Laddering offers you a more disciplined way to manage your fixed income holdings	19
Slide 12: Consider the wide range of professionally managed fixed income solutions from the Chief Investment Office	20
Slide 13: The key to long-term progress is to maintain discipline	21
Slide 15: Index definitions	22
Slide 16: Slide 24	23



ICLEF Electronic Publications

Feature Release 4.1

August 2020

To get the most out of your *ICLEF Electronic Publication*, download this material to your PC and use Adobe Acrobat® to open the document. The most current version of the Adobe® software may be found and installed by clicking on one of the following links for either the free [Adobe Acrobat Reader®](#) or the full retail version of [Adobe Acrobat®](#).

Feature list:

1. **Searchable** – All ICLEF Electronic Publications are word searchable. To begin your search, click on the “spyglass” icon at the top of the page while using the Adobe® software.
1. **Bookmarks** – Once the publication is opened using the Adobe Acrobat® software a list of bookmarks will be found in a column located on the left side of the page. Click on a bookmark to advance to that place in the document.
2. **Hypertext Links** – All of the hypertext links provided by our authors are active in the document. Simply click on them to navigate to the information.
3. **Book Index** – We are adding an INDEX at the beginning of each of our publications. The INDEX provides “jump links” to the portion of the publication you wish to review. Simply left click on a topic / listing within the INDEX page(s) to go to that topic within the materials. To return to the INDEX page either select the “INDEX” bookmark from the top left column or right-click with the mouse within the publication and select the words “*Previous View*” to return to the spot within the INDEX page where you began your search.

Please feel free to contact ICLEF with additional suggestions on ways we may further improve our electronic publications. Thank you.

Indiana Continuing Legal Education Forum (ICLEF)

230 East Ohio Street, Suite 300

Indianapolis, Indiana 46204

Ph: 317-637-9102 // Fax: 317-633-8780 // email: iclef@iclef.org

URL: <https://iclef.org>



The Role of Fixed Income Investments

August 2, 2023

www.ICLEF.ORG

Copyright 2023 by Indiana Continuing Legal Education Forum

DISCLAIMER

The information and procedures set forth in this practice manual are subject to constant change and therefore should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein. Further, the forms contained within this manual are samples only and were designed for use in a particular situation involving parties which had certain needs which these documents met. All information, procedures and forms contained herein should be very carefully reviewed and should serve only as a guide for use in specific situations.

The Indiana Continuing Legal Education Forum and contributing authors hereby disclaim any and all responsibility or liability, which may be asserted or claimed arising from or claimed to have arisen from reliance upon the procedures and information or utilization of the forms set forth in this manual, by the attorney or non-attorney.

Attendance of ICLEF presentations does not qualify a registrant as an expert or specialist in any discipline of the practice of law. The ICLEF logo is a registered trademark and use of the trademark without ICLEF's express written permission is prohibited. ICLEF does not certify its registrants as specialists or expert practitioners of law. ICLEF is an equal opportunity provider of continuing legal education that does not discriminate on the basis of gender, race, age, creed, handicap, color or national origin. ICLEF reserves the right to refuse to admit any person or to eject any person, whose conduct is perceived to be physically or emotionally threatening, disruptive or disrespectful of ICLEF registrants, faculty or staff.

INDIANA CONTINUING LEGAL EDUCATION FORUM

OFFICERS

LYNNETTE GRAY

President

HON. ANDREW R. BLOCH

Vice President

SARAH L. BLAKE

Secretary

HON. THOMAS A. MASSEY

Treasurer

ALAN M. HUX

Appointed Member

LINDA K. MEIER

Appointed Member

DIRECTORS

James H. Austen

John B. Bishop

Jean M. Blanton

Sarah L. Blake

Hon. Andrew R. Bloch

Melanie M. Dunajeski

Lynnette Gray

Alan M. Hux

Dr. Michael J. Jenuwine

Jana M. Lange

Shaunda Lynch

Hon. Thomas A. Massey

Mark W. McNeely

Linda K. Meier

F. Anthony Paganelli

Richard S. Pitts

Jeffrey P. Smith

Teresa L. Todd

ICLEF

SCOTT E. KING

Executive Director

James R. Whitesell
Senior Program Director

Jeffrey A. Lawson
Program Director

The Role of Fixed Income Investments Description



Discussing the role of fixed income in a portfolio, breaking down recent market events, and offering ideas about how attorneys can take a more disciplined approach to their fixed income investments. As well, we will discuss the benefits of Long-Term Investing and How taking a disciplined approach to investing can help your clients in changing markets.

Faculty

David Ghormley
MFS Investment Management
P: (317) 517-7141
E: dghormley@mfs.com

Nicole McGoff
Merrill Lynch Wealth Management
P: (317) 706-3195
E: nicole.mcgoft@ml.com

August 2, 2023

WWW.ICLEF.ORG

Nicole C. McGoff, CDFA®, Merrill Lynch Wealth Management, Indianapolis



Nicole McGoff, CDFA® - Financial Advisor

Nicole and her team are passionate about helping their clients live their best financial lives. Her process begins by listening to her clients' goals and needs to providing them with a thorough, educational, and transparent financial strategy.

Nicole began her financial services career in 2010 as a Financial Advisor working with successful families and business owners to build, protect, and transfer their wealth. Most recently, Nicole spent four years at Capital Group|American Funds where she educated Financial Advisors and research teams on investment processes and effective practice management. This experience has allowed her to better service the needs, wants, and wishes of her clients.

Nicole enjoys being an active member of the Assistance League of Indianapolis and other volunteer organizations within her community. She attended Western Michigan University where she played Division I Golf and earned her degree from Indiana University-Purdue University Indianapolis. Her greatest joy is spending time with her husband, Sean, two children, Colin and Maeve, and English Mastiff, Lily.

David Ghormley, CFA, MFS Investment Management, Indianapolis



David Ghormley, CFA, is Director at MFS Investment Management in Indianapolis.

MFS Investment Management is an active, global asset manager with a uniquely collaborative approach to build better insights for clients. Its investment approach has three core elements – integrated research, global collaboration, and active risk management. Through the combined application of these three principles, the firm works to deliver sustainable investment solutions for the individual and institutional investors it serves.



The role of fixed income investments

Presented by

Nicole McGoff, CDFA®

Financial Advisor

Senior Portfolio Advisor

See Important Information on slide 2 of this presentation.



Important disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

The investment strategies discussed are not appropriate for every investor and should be considered given a person's investment objectives, financial situation and particular needs. Clients should review with their Financial Advisor the terms, conditions and risks involved with specific products and services.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa.

Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments.

Bond ladders are subject to market risk and are not guaranteed. They do not offer downside protection. A prolonged decline in the bond market can result in a decline in price.

Bond portfolio laddering does not reduce market risk, and the principal and yield of investment securities will fluctuate with changes in market conditions.

All asset classes are not in the best interest of all investors. Each investor should select the asset classes for them based on their goals, time horizon and risk tolerance.

You can choose from one or more programs and services based on your individual objectives, investment style, need for ongoing advice and interest in particular investment solutions. One of the options to consider is the Merrill Lynch Investment Advisory Program.

Merrill Lynch Investment Advisory Program is an investment advisory program sponsored by Merrill. Merrill offers a broad range of brokerage, investment advisory and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

For more information, please visit ml.com/programs-and-services. For more information about the Merrill Lynch Investment Advisory Program, including our fiduciary responsibilities, you may obtain a copy of the Merrill Lynch Investment Advisory Program Brochure by accessing the SEC website at www.adviserinfo.sec.gov.

Risk management and diversification processes seek to mitigate, but cannot eliminate risk, nor do they imply low risk. Diversification does not ensure a profit or protect against loss in declining markets.

The Chief Investment Office (CIO) provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

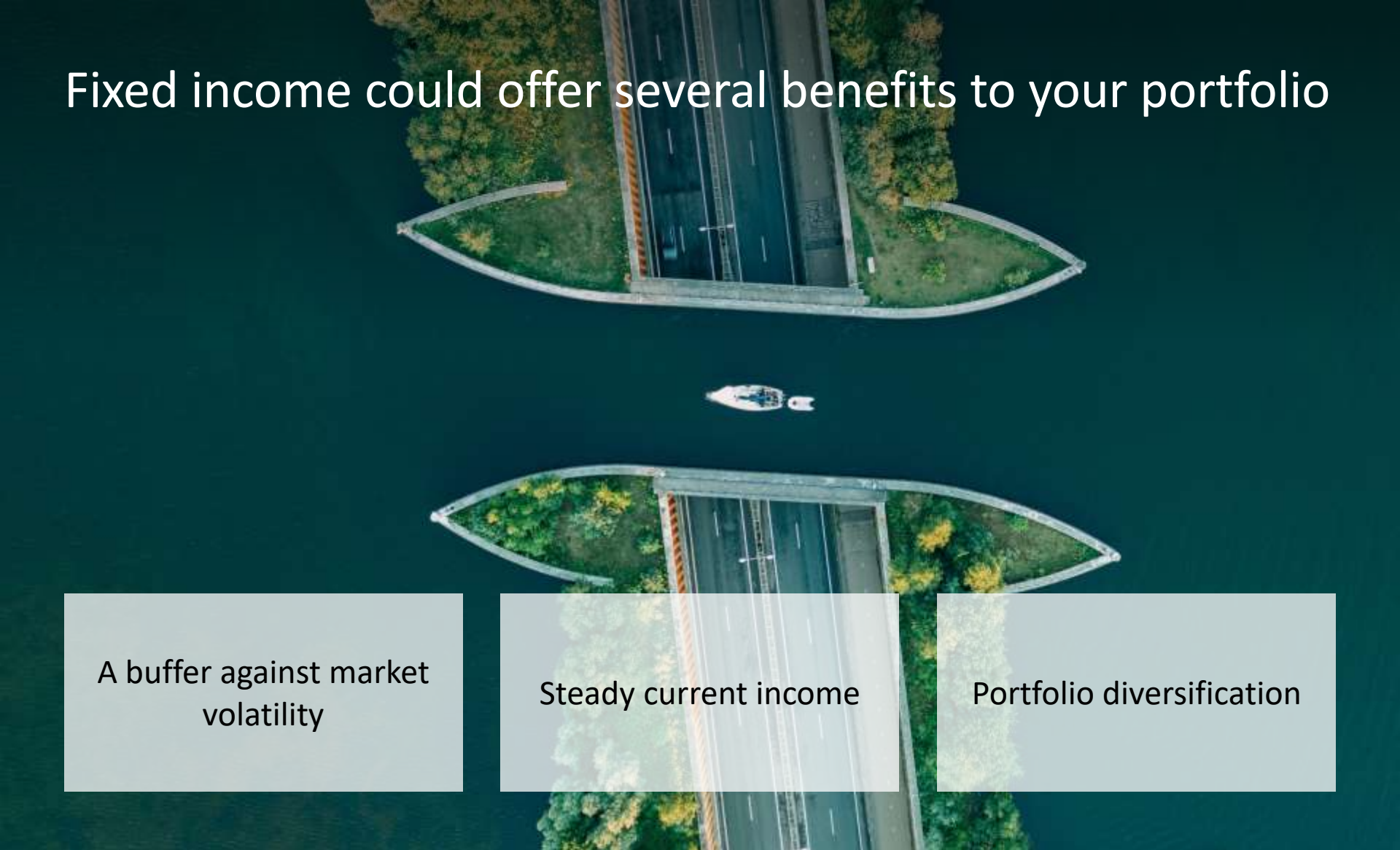
The Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed, or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member [SIPC](#) and a wholly owned subsidiary of BofA Corp.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
-----------------------------	--------------------------------	-----------------------

Fixed income could offer several benefits to your portfolio

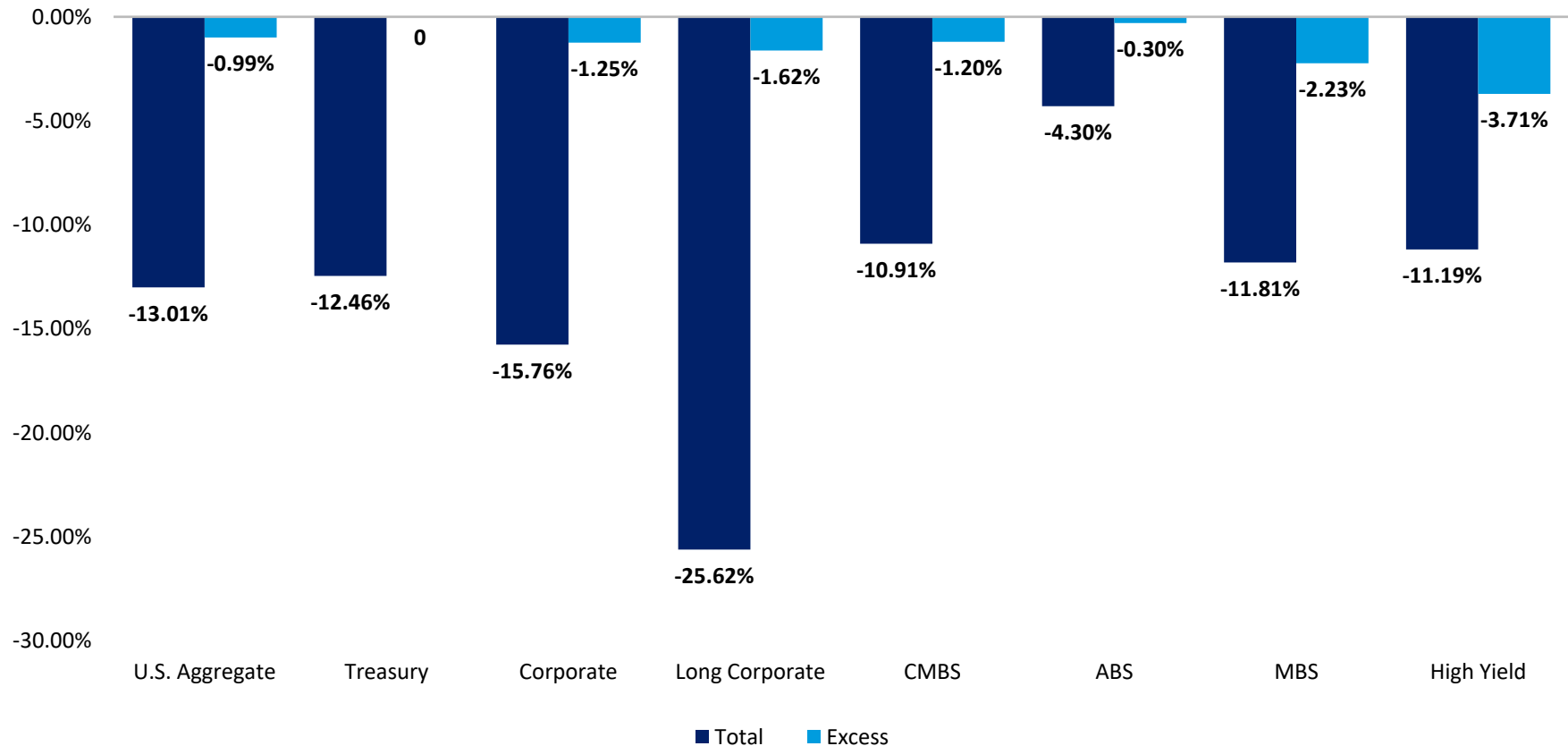
An aerial photograph of a multi-lane highway bridge spanning a body of water. Two large, stylized boats are positioned on either side of the bridge, their hulls containing the bridge deck and surrounding greenery. A small motorboat is visible in the water between the two large boats.

A buffer against market
volatility

Steady current income

Portfolio diversification

Investing in fixed income was not without its challenges in 2022



Source: Bloomberg. Data as of December 30, 2022. Please refer to slide 14 for index definitions.

Excess return measures the market value weighted average year-to-date performance of a spread security over that of an equivalent treasury security.

It is not possible to invest directly in an index. Past performance is no guarantee of future returns.

What history shows us about the role of Fixed Income during prior periods of market stress

	U.S. Large-cap Stocks	Global High Dividend Stocks	U.S. Government Bonds	U.S. Aggregate Bonds	U.S. Short Duration High Yield
February – March 2020	-33.5%	-32.1%	2.1%	-1.0%	-19.1%
October 2007 – March 2009	-54.9%	-62.7%	15.0%	7.2%	-19.0%
March 2000 – September 2001	-35.6%	-10.3%	18.8%	17.9%	11.9%
July – October 1990	-18.8%	-12.2%	1.8%	0.2%	-1.3%
November 1980 – August 1982	-7.6%	-11.2%	23.4%	N/A	N/A
January 1973 – October 1974	-42.6%	N/A	4.9%	N/A	N/A

US Large-cap Stocks: S&P 500 Total Return (TR) USD; Global High Dividend Stocks: MSCI World High Dividend Yield Net Return USD; US Government Bonds: IA SBBI US Intermediate Government TR USD; US Aggregate Bonds: Bloomberg US Aggregate Bond TR USD; US Short Duration High Yield: Bloomberg US High Yield 1-5 Year TR USD; Indexes are unmanaged and do not take into account fees or expenses. **It is not possible to invest directly in an index.** Performance during periods of exceptional market conditions should not be expected to be repeated in a normal market environment. **Past performance is no guarantee of future results.**

The CIO's views on fixed income remains favorable for 2023

Asset Class	Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Global Equities	•	•	•	•	•
U.S. Large-cap Growth	•	•	•	•	•
U.S. Large-cap Value	•	•	•	•	•
U.S. Small-cap Growth	•	•	•	•	•
U.S. Small-cap Value	•	•	•	•	•
International Developed	•	•	•	•	•
Emerging Markets	•	•	•	•	•
Global Fixed Income	•	•	•	◀	•
U.S. Governments	•	•	▶	•	•
U.S. Mortgages	•	•	•	•	•
U.S. Corporate	•	•	•	◀	•
High Yield	•	•	•	•	•
U.S. Investment-grade Tax Exempt	•	•	•	•	•
U.S. High Yield Tax Exempt	•	•	•	•	•
International Fixed Income	•	•	•	•	•

Source: GWIM Investment Strategy Committee (GWIM ISC) as of January 10, 2023. Please refer to the January 2023 Viewpoint for more detailed weightings information. The Chief Investment Office (CIO) views and opinions expressed are for informational purposes only, are made as of the date of this material, and are subject to change without notice.

Maintaining a disciplined investment approach can help smooth the ride

										2013-2022	
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Annualized Return	Annualized Volatility
U.S. Small Cap Growth 43.30%	U.S. Large Cap Value 13.45%	U.S. Large Cap Growth 5.67%	U.S. Small Cap Value 31.74%	Emerging Markets 37.28%	International Fixed Income 3.17%	U.S. Large Cap Growth 36.39%	U.S. Large Cap Growth 38.49%	U.S. Small Cap Value 28.27%	Inflation 6.84%	U.S. Large Cap Growth 14.10%	Cash 0.48%
U.S. Small Cap Value 34.52%	U.S. Large Cap Growth 13.05%	U.S. Mortgage Backed 1.46%	High Yield Fixed Income 17.34%	U.S. Large Cap Growth 30.21%	Cash 1.87%	U.S. Small Cap Growth 28.48%	U.S. Small Cap Growth 34.63%	U.S. Large Cap Growth 27.60%	Cash 1.46%	U.S. Large Cap Value 10.29%	Inflation 1.87%
U.S. Large Cap Growth 33.48%	International Fixed Income 9.07%	International Fixed Income 1.35%	U.S. Large Cap Value 17.34%	International Equity 24.21%	Inflation 1.68%	U.S. Large Cap Value 26.54%	Emerging Markets 18.31%	U.S. Large Cap Value 25.16%	U.S. Large Cap Value -7.54%	U.S. Small Cap Growth 9.20%	U.S. Mortgage Backed 3.67%
U.S. Large Cap Value 32.53%	U.S. Corporate Master 7.51%	U.S. Government & Quasi 0.84%	U.S. Small Cap Growth 11.32%	U.S. Small Cap Growth 22.17%	U.S. Mortgage Backed 1.00%	International Equity 22.49%	60/40 Allocations 12.76%	International Equity 12.62%	High Yield Fixed Income -11.10%	U.S. Small Cap Value 8.48%	International Fixed Income 3.92%
International Equity 21.02%	U.S. Mortgage Backed 6.07%	Inflation 0.73%	Emerging Markets 11.19%	60/40 Allocations 15.80%	U.S. Government & Quasi 0.83%	U.S. Small Cap Value 22.39%	U.S. Corporate Master 9.81%	60/40 Allocations 10.51%	U.S. Mortgage Backed -11.88%	60/40 Allocations 5.36%	U.S. Government & Quasi 5.11%
60/40 Allocations 12.87%	U.S. Government & Quasi 5.88%	Cash 0.05%	U.S. Large Cap Growth 7.08%	U.S. Large Cap Value 13.66%	U.S. Large Cap Growth -1.51%	60/40 Allocations 19.45%	U.S. Government & Quasi 8.16%	Inflation 7.04%	International Fixed Income -11.89%	International Equity 4.59%	U.S. Corporate Master 6.67%
High Yield Fixed Income 7.38%	U.S. Small Cap Growth 5.60%	U.S. Corporate Master -0.63%	U.S. Corporate Master 5.96%	U.S. Small Cap Value 7.84%	U.S. Corporate Master -2.25%	Emerging Markets 18.42%	International Equity 7.59%	High Yield Fixed Income 5.29%	U.S. Government & Quasi -12.74%	High Yield Fixed Income 3.94%	High Yield Fixed Income 8.48%
Inflation 1.51%	60/40 Allocations 4.88%	60/40 Allocations -1.20%	60/40 Allocations 5.78%	High Yield Fixed Income 7.48%	High Yield Fixed Income -2.26%	High Yield Fixed Income 14.40%	High Yield Fixed Income 6.20%	U.S. Small Cap Growth 2.83%	International Equity -14.29%	Inflation 2.62%	60/40 Allocations 9.82%
International Fixed Income 1.33%	U.S. Small Cap Value 4.22%	U.S. Small Cap Growth -1.38%	International Fixed Income 5.19%	U.S. Corporate Master 6.48%	60/40 Allocations -5.64%	U.S. Corporate Master 14.23%	U.S. Small Cap Value 4.63%	Cash 0.05%	U.S. Small Cap Value -14.48%	U.S. Corporate Master 2.01%	U.S. Large Cap Value 15.74%
Cash 0.07%	High Yield Fixed Income 2.45%	International Equity -3.04%	International Equity 2.75%	International Fixed Income 2.51%	U.S. Large Cap Value -8.27%	International Fixed Income 7.57%	International Fixed Income 4.20%	U.S. Corporate Master -0.95%	U.S. Corporate Master -15.44%	International Fixed Income 1.93%	International Equity 16.12%
U.S. Mortgage Backed -1.39%	Inflation 0.76%	U.S. Large Cap Value -3.83%	Inflation 2.07%	U.S. Mortgage Backed 2.45%	U.S. Small Cap Growth -9.31%	U.S. Government & Quasi 6.95%	U.S. Mortgage Backed 4.09%	U.S. Mortgage Backed -1.21%	60/40 Allocations -16.22%	Emerging Markets 1.43%	U.S. Large Cap Growth 17.39%
U.S. Corporate Master -1.46%	Cash 0.03%	High Yield Fixed Income -4.55%	U.S. Mortgage Backed 1.67%	U.S. Government & Quasi 2.42%	U.S. Small Cap Value -12.86%	U.S. Mortgage Backed 6.51%	U.S. Large Cap Value 2.80%	International Fixed Income -1.67%	Emerging Markets -20.09%	Cash 0.76%	Emerging Markets 17.98%
Emerging Markets -2.60%	Emerging Markets -2.19%	U.S. Small Cap Value -7.47%	U.S. Government & Quasi 1.15%	Inflation 2.24%	International Equity -14.09%	Inflation 2.29%	Inflation 1.30%	U.S. Government & Quasi -2.33%	U.S. Small Cap Growth -26.36%	U.S. Mortgage Backed 0.75%	U.S. Small Cap Value 22.29%
U.S. Government & Quasi -3.21%	International Equity -4.32%	Emerging Markets -14.92%	Cash 0.33%	Cash 0.86%	Emerging Markets -14.58%	Cash 2.28%	Cash 0.67%	Emerging Markets -2.54%	U.S. Large Cap Growth -29.14%	U.S. Government & Quasi 0.62%	U.S. Small Cap Growth 22.34%

Source: Morningstar Direct & CIA System. 60% Stocks=MSCI All Country World Index (ACWI) and 40% Bonds= Bloomberg US Aggregate Bond Index. Income and dividends are included in all returns figures. Excludes alternative investments. Data as of December 31, 2022. Volatility is measured as the annualized standard deviation. **FOR INFORMATIONAL PURPOSES ONLY.** Results shown are based on an index and are illustrative; they assume reinvestment of income and no transaction costs or taxes. Indexes are unmanaged. Direct investment cannot be made in an index. **Past performance is no guarantee of future results. Please refer to asset class proxies, index definitions and important disclosures at the end of this report.**

You can access fixed income through a range of solutions



Direct purchase



Third-party mutual funds,
ETFs and SMAs

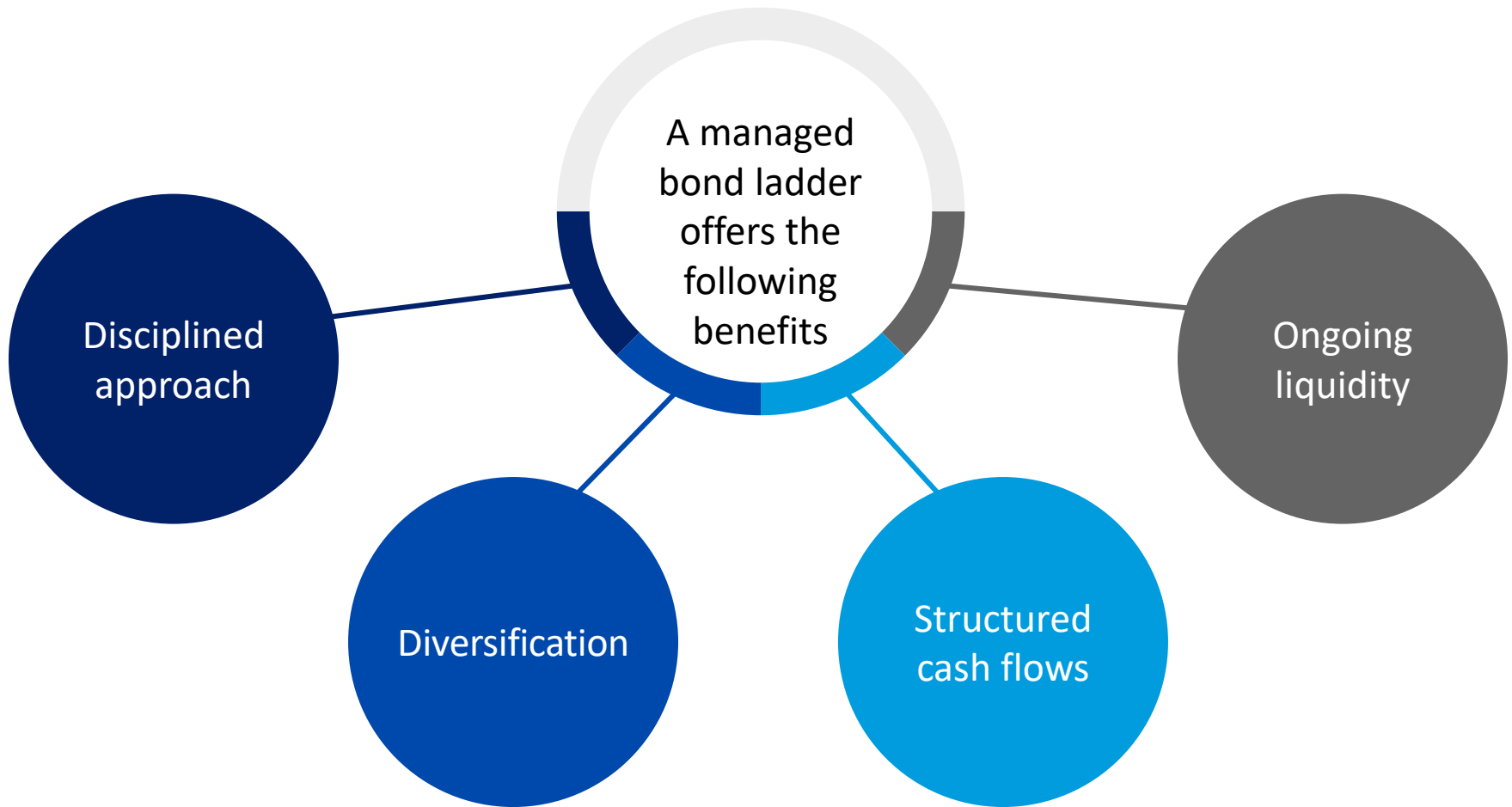


Fixed Income
Model Portfolios



Working with your Merrill advisor, you can explore the full range of fixed income investments and select the one that is right for you.

Managed bond ladder solutions can offer a number of potential benefits



Professional investment management in an investment advisory program can offer a range of benefits



Professional due diligence and credit analysis to help identify high conviction fixed income investment opportunities.



Institutional pricing that can potentially provide better pricing than on the open markets.



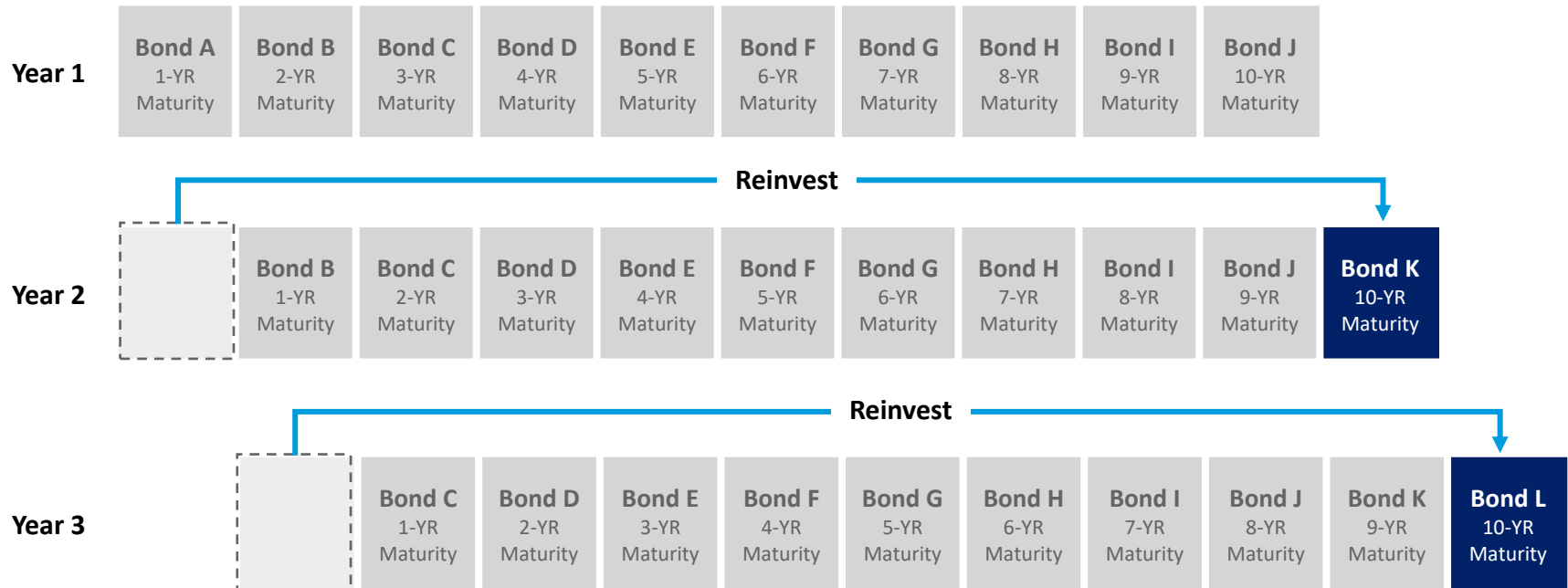
Proactive reinvestment can help eliminate “cash drag”¹ that can occur in a direct purchase fixed income portfolio.



Access to a wider set of potential fixed income solutions, including thin issues and international bonds.

¹ "Cash drag" is a common source of performance drag in a portfolio. It refers to holding a portion of a portfolio in cash rather than investing this portion in the market. Because cash typically has very low or even negative real returns after considering the effects of inflation, most portfolios would earn a better return by investing all cash in the market. However, some investors decide to hold cash to pay for account fees and commissions, as an emergency fund or as a diversifier of other portfolio investments.

Laddering offers you a more disciplined way to manage your fixed income holdings



At the end of year 1, bond A matures and is replaced with a new 10-year bond. Bond J now matures in 9 years

At the end of year 2, bond B matures and is replaced with a new 10-year bond. Bond K now matures in 9 years

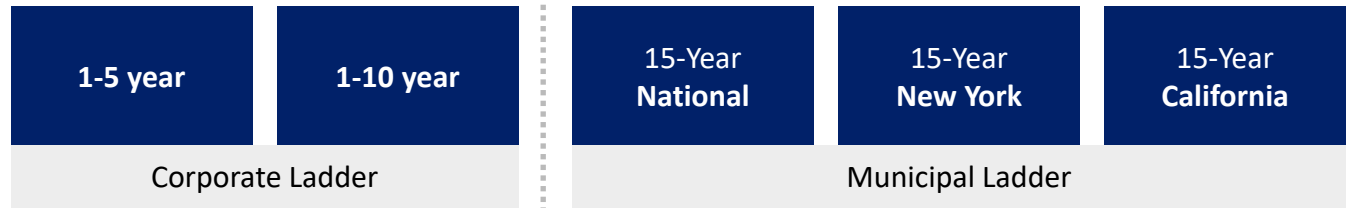


As bonds mature each year, proceeds can be reinvested in potentially higher yielding longer-term bonds or redirected to fund other needs or investments.

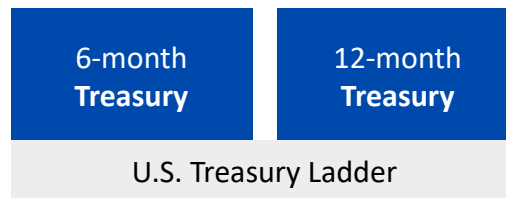
Consider the wide range of professionally managed fixed income solutions from the Chief Investment Office



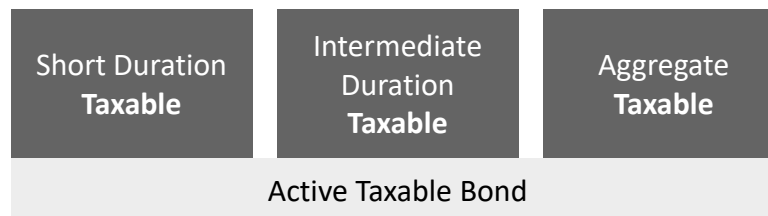
CIO Bond Ladder solutions




CIO Government Bond Ladder solutions



CIO Active Bond solutions



 You also may want to consider the range of third-party bond ladders that may offer ongoing fixed income exposure, management and credit monitoring.

CIO Bond Ladder Model Portfolios are created by Bank of America, N.A. (BANA, the Style Manager), an affiliate of Merrill Lynch and Managed Account Advisors, and as such, is a Related Style Manager. BANA provides services through Bank of America Private Bank and the Chief Investment Office.

Managed Accounts Advisors is a registered investment adviser and an indirect wholly-owned subsidiary of Bank of America Corporation.

The key to long-term progress is to maintain discipline



Ground all your decisions
in your financial plan

Explore the range of
investment options

Maintain a long-term
view towards your goals

Review and adjust your
approach, as needed

Index definitions

Bloomberg U.S. Aggregate Index is a broad based flagship benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. Treasury Index measures the U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

Bloomberg U.S. Corporate Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Long Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market whose maturity is 10 years or longer. It includes the U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Commercial Mortgage Backed Securities (CMBS) Index measures the investment-grade market of U.S. agency and U.S. non-agency conduit and fusion CMBS deals with a minimum current deal size of \$300 million that are ERISA eligible.

Bloomberg U.S. Aggregate Asset Backed Securities (ABS) Index measures the U.S. dollar denominated U.S. asset backed securities market.

Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac. The Index is constructed by grouping individuals TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Bloomberg U.S. Corporate High Yield Bond Index measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

