

Reflect and Reimagine: Modern Fixed Income

Focus on broadening your investment horizons this year with our fixed income toolkit.

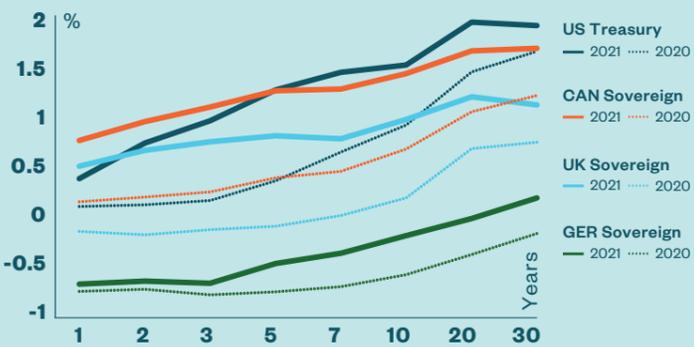


Why?

Yield Remains Elusive

We expect to see flatter curves across advanced economies albeit with variances as some central banks advance into rising rates sooner than others. Despite higher and flatter yield curves, absolute yields are still quite modest.

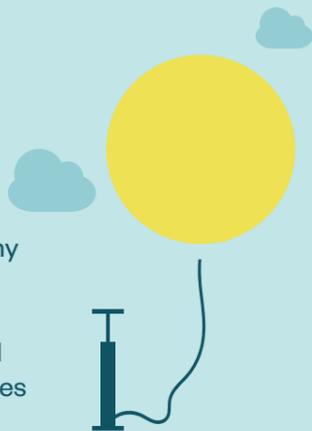
Flattening Yield Curves



The Big Question: Inflation

Probably the most critical aspect of the fixed income outlook hinges around the medium- and long-term prospects for inflation.

We believe it will wane in many economies — though not without some volatility — as we move through the second half of this year, with price rises washing out over time.



Where to Look

Move from Low-Yielding Core Sovereigns

For European investors – add Global Treasuries. Currency risk should be considered but for some (eg GBP investors) this can be effectively hedged. For US investors – consider an international sovereign exposure.

Investment Grade Credit

A comfortable first step away from sovereign debt for many. Spreads are not generous but they may still offer an incremental lift in return.

High Yield

Even if something of a victim of its own success – as high performing issuers get upgraded to investment grade – high yield still offers meaningfully higher returns over sovereigns and IG credit for those with the risk appetite.

Emerging Market Debt

Not without its challenges but for those who accept the risks there are significant rewards: stellar yields with around 80% of issuers rated investment grade and a possible FX tailwind in local currency.

~5.75% EM Local Currency Yield
~80% Investment Grade

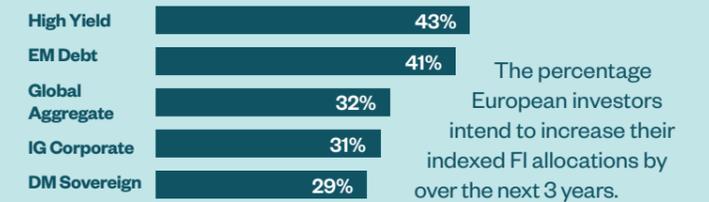
Standalone Allocation to China?



Indexing for Modern Fixed Income

- Cost-effective, reliable exposures
- Clear and transparent risk/return drivers
- Broad, liquid and nimble

Increasing Moves to Indexing



Reflect and Reimagine Fixed Income



All sources SSGA, unless otherwise specified. Examples are for illustrative purposes only. Past performance is not a reliable indicator of future performance.

→ Discover more about the Modern Fixed Income Portfolio at ssga.com

Information Classification: General

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The returns on a portfolio of securities which exclude companies that do not meet the portfolios specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

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