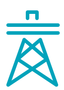
Bond Basics

What You Need to Know

What are bonds?

A bond is a fixed-income investment. It's essentially a loan that is paid back with interest. The organization borrowing the money is called the bond issuer.

Types of Bonds Who issues bonds, and what are they used to finance?



Municipalities
Hospitals, schools, roads, and bridges

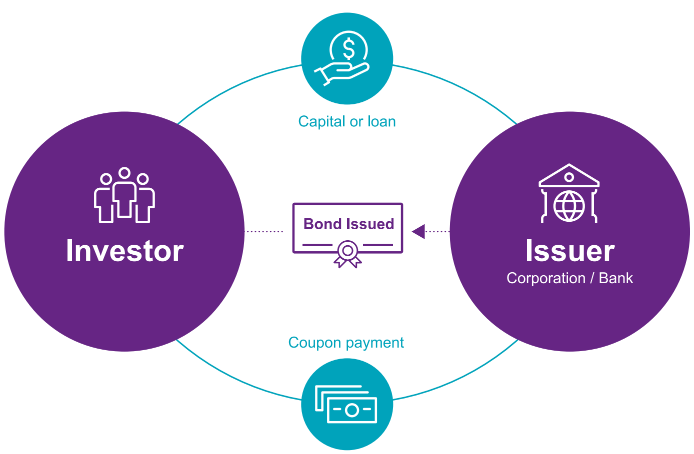
Goverment Bonds
Education, infrastructure, or employee salaries

Corporations
Factories and/or new products

How investors get paid

The buyer (investor) purchases a bond with an original investment (the principal). The buyer, or bondholder, is paid back in periodic, fixed interest payments (in the form of coupons). Principal is returned after a defined number of years (the term or maturity).

A fixed rate of interest is paid out over the life of the bond.



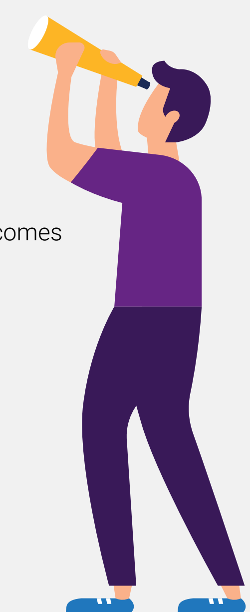
How Can Bonds Fit in Your Portfolio?

Income
Provide a steady stream of cash flow

Diversification
Bond markets usually, but not always, move in the opposite direction of stocks

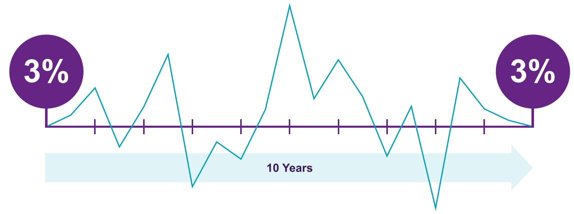
Shock absorber
Bonds usually aren't as sensitive to market ups and downs as stocks – providing balance

Remember, like any other investment, bond investing comes with potential risks.



Inside the math of bonds

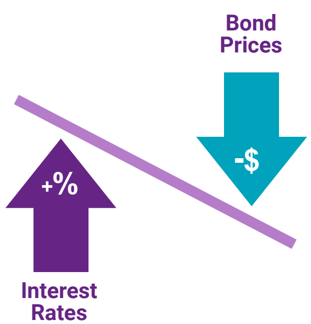
If an investor purchases a 10-year bond with a 3% coupon (payout) for $1,000, it will always pay 3% (or $30) every year for 10 years. That's a 3% yield on the investment.



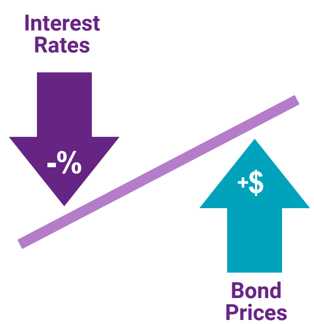
A 3% bond stays steady while the market goes up and down.

How interest rates can impact bonds

There is an inverse relationship between interest rates and prices, which can make bonds tricky. This matters when investors go to sell a bond before maturity.



Typically, the value of fixed rate bonds will FALL when interest rates rise



Typically, the value of fixed rate bonds will RISE when interest rates fall

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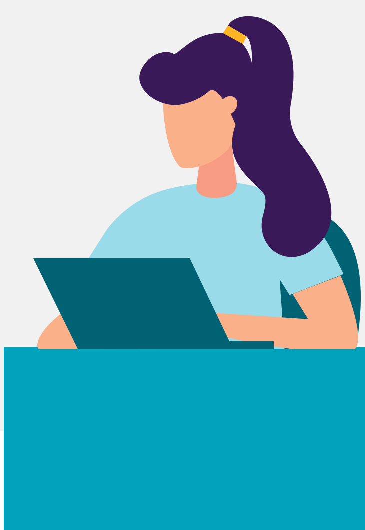
Talk to your financial advisor about how fixed income investments may fit into your investment strategy. Learn more about the fixed income offerings at Natixis Investment Managers by going to im.natixis.com.

5 reasons why professional management is important

1. **Complexity**
   Numerous factors to consider
2. **Immensity**
   Global bond market is almost 20% larger than the stock market
3. **Range of issuers**
   Wider range of bond issuers to access
4. **Deep research**
   More information to evaluate in the selection process
5. **Trader know-how**
   Value of skilled bond traders to get the right price



Bonds may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity.

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All investing involves risk, including the risk of loss. Investment risk exists with equity, fixed-income, and alternative investments. There is no assurance that any investment will meet its performance objectives or that losses will be avoided.

This material is provided for informational purposes only and should not be construed as investment advice.

Credit Risk: Credit risk is the risk that the issuer of a fixed-income security may fail to make timely payments of interest or principal or to otherwise honor its obligations. **Interest rate risk:** Interest rate risk is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors. **Inflation risk:** Inflation risk is the risk that inflation will reduce the purchasing power of an investments' returns. **Liquidity risk:** Exists when particular investments are difficult to purchase or sell, possibly preventing the sale of these illiquid securities at an advantageous price or time. A lack of liquidity also may cause the value of investments to decline.

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