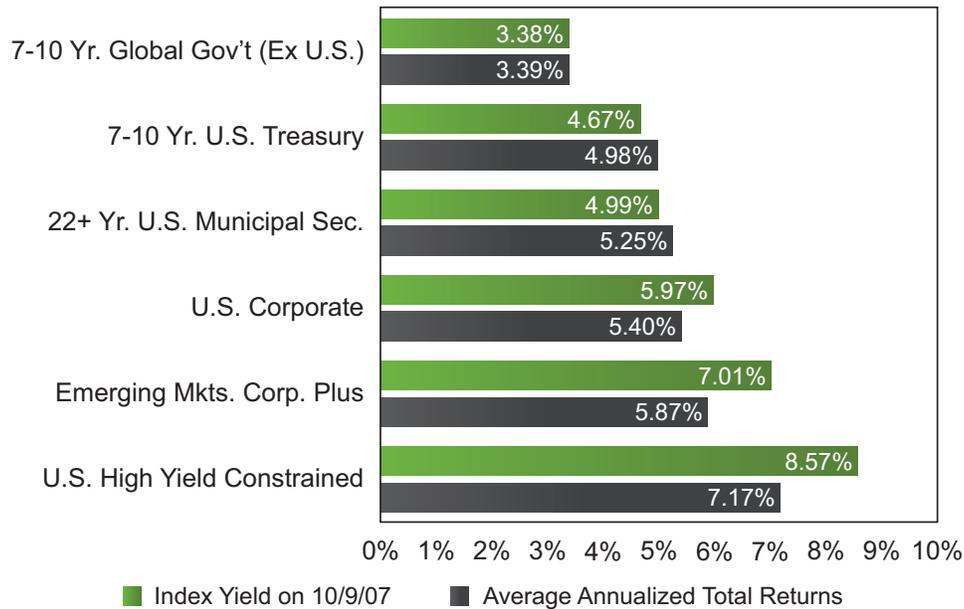


How Bonds Have Fared Since 10/9/07

ICE BofAML Bond Indices
(Index Yield on 10/9/07 vs. Avg. Annualized Total Returns in USD from 10/9/07-6/7/19)



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. We chose 10/9/07 as our start date because it marked the last day of the prior bull market in stocks (10/9/02-10/9/07), as measured by the S&P 500 Index.
2. The backstory to the period featured in the chart (10/9/07-6/7/19) involves a seismic shift in retail investor sentiment in favor of fixed-income opportunities over equities, as measured by mutual fund flows.
3. From 12/31/07-4/30/19, retail investors funneled a net \$1.49 trillion into bond mutual funds, while liquidating a net \$1.16 trillion from equity mutual funds, according to data from the Investment Company Institute.
4. In addition to posting the performance figures for some of the major bond index categories, we also show what each index yielded at the start of the period (see chart).
5. While the primary objective for most fixed-income investors is current income, preservation of capital tends to be a close second. Achieving a total return on an investment that matches or exceeds its yield is optimal, in our opinion.
6. For the period featured in the chart, the yield on the benchmark 10-year Treasury note declined from 4.65% to 2.08%, or 257 basis points, according to data from Bloomberg. A good climate for bonds.
7. With respect to the returns posted by the two foreign categories, investors need to factor in that the U.S. dollar appreciated 22.93% in the period, as measured by the U.S. Dollar Index (DXY), according to Bloomberg.
8. Lastly, as good as the returns are for all of the bond categories in the chart, none of them exceeded the 7.62% average annualized total return for the S&P 500 Index.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The ICE BofAML 7-10 Year Global Government (ex U.S.) tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency with a remaining term to final maturity greater than or equal to 7 years and less than 10 years, and excluding those denominated in US dollars. The ICE BofAML 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofAML U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. ICE BofAML Emerging Markets Corporate Plus Index tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. The ICE BofAML U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

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