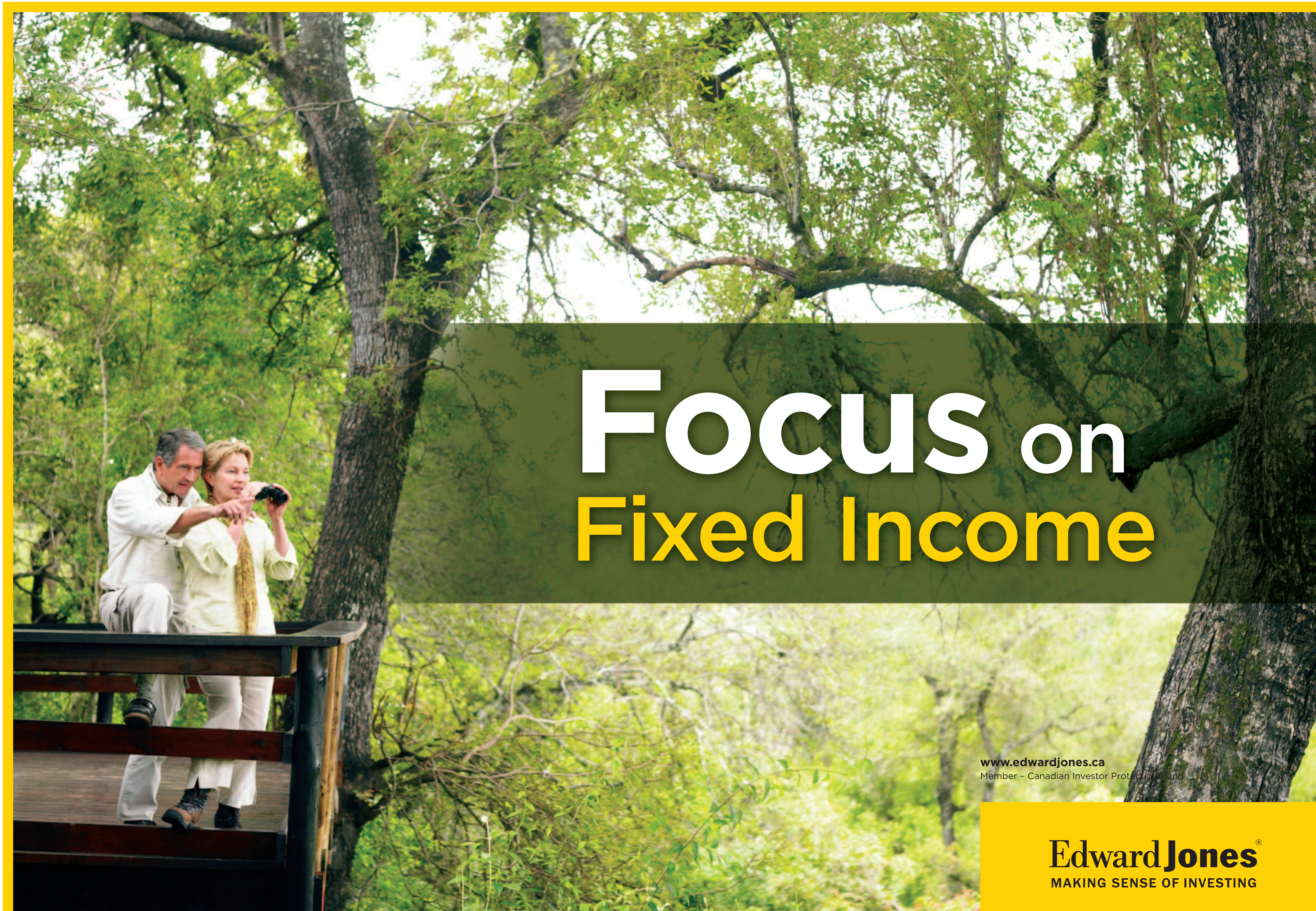


Focus on Fixed Income

www.edwardjones.ca

Member – Canadian Investor Protection Fund

Edward Jones®

MAKING SENSE OF INVESTING


MY FINANCIAL NEEDS
1 WHERE AM I TODAY?
2 WHERE WOULD I LIKE TO BE?
3 CAN I GET THERE?
4 HOW DO I GET THERE?
5 HOW CAN I STAY ON TRACK?
®

Our Objectives

- Increase your knowledge and comfort level with fixed-income investments
- Explain how bonds can help you meet your investment goals

Three Things You Can Do with Your Money

Loan vs. Own:
Two Ways to Invest

Loan	Own
Bonds	Stocks
Guaranteed Investment Certificates	Stock mutual funds
Savings Accounts	Real estate
Bond mutual funds	
Mortgage-backed securities	

Earning Money with Bonds

- Lend your money to a company, municipality, etc.
- Receive original investment at a set maturity date
- During the life of the bond, you receive interest payments

Bond Characteristics

- Issuer
- Maturity date
- Call feature
- Interest rate
- Price
- Rating
- Taxation
- Yield to Maturity(YTM)

Issuer

- Government entity, municipality or corporation
- Responsible for repayment of principal and making interest payments

Bond Maturities

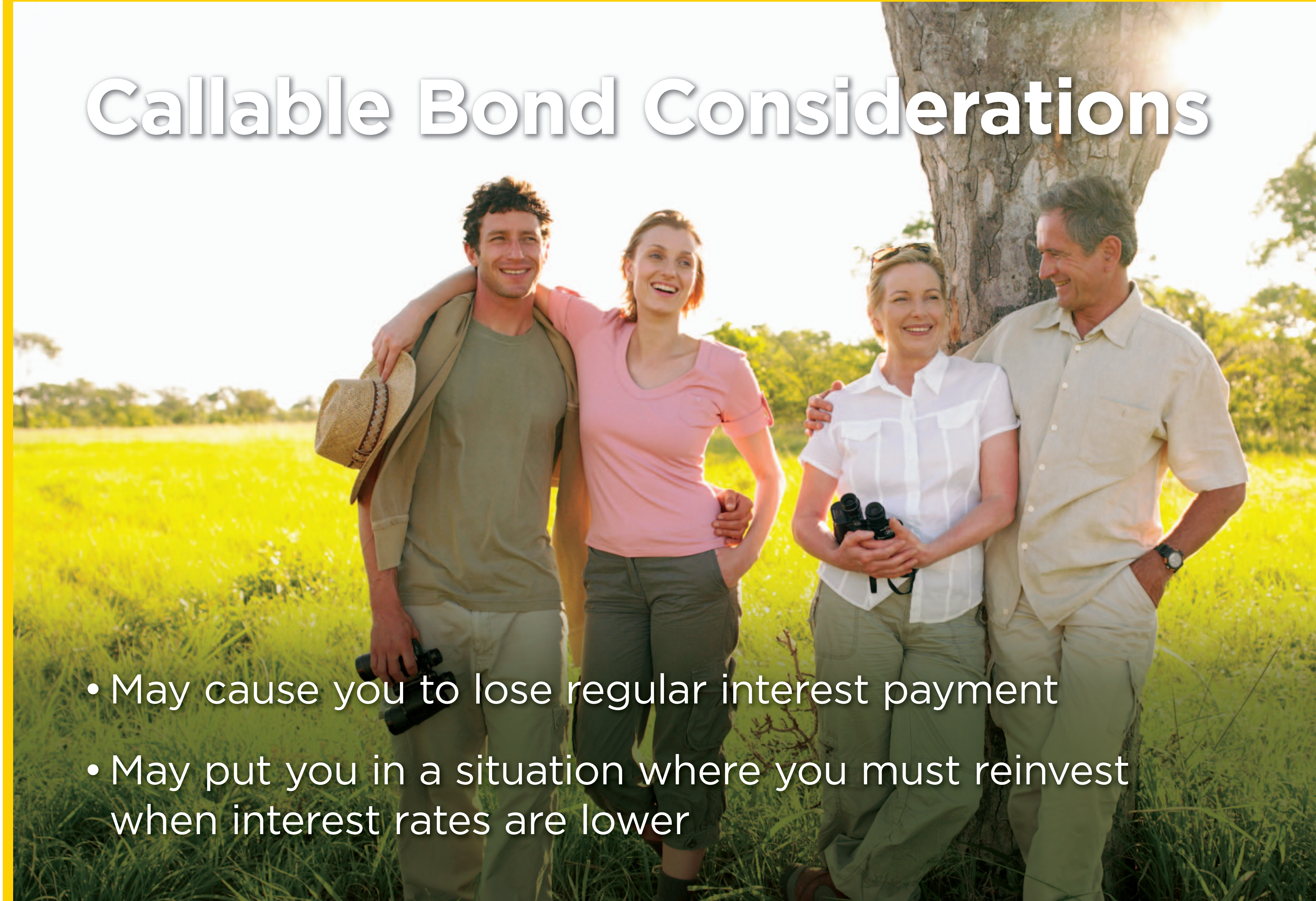
Short-term (up to 5 years)

Intermediate-term (6 to 15 years)

Long-term (16 years or more)

Call Feature

- An issuer will often call a bond if it is paying a higher coupon than the current market interest rate
- Similar to refinancing a mortgage, the company is usually seeking to pay a lower interest rate when it calls a bond



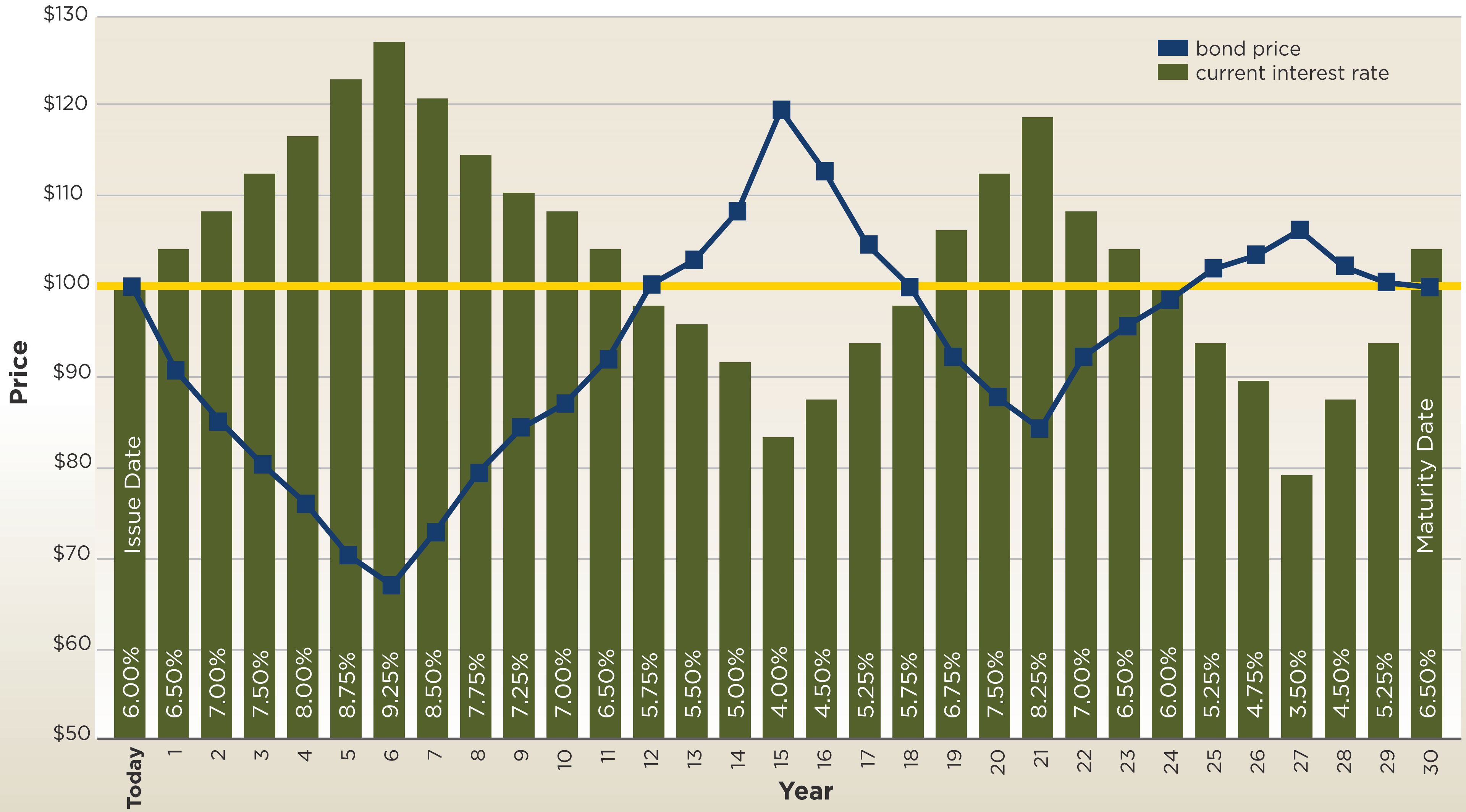
Callable Bond Considerations

- May cause you to lose regular interest payment
- May put you in a situation where you must reinvest when interest rates are lower

Interest Payments

- If a bond pays a coupon of 5% and its principal value is $10,000, then it will pay **$500 in interest a year**
- If interest is paid semiannually, you will receive **$250 twice a year**

Bond Prices and Interest Rates



▼ Typically, the more interest rates decline, the more existing bond prices rise. Longer-term bond prices rise more than shorter-term bond prices.

▲ Typically, the more interest rates rise, the more existing bond prices decline. Longer-term bond prices decline more than shorter-term bond prices.

Source: Edward Jones. Based on a hypothetical 6% bond with an initial 30-year maturity that is noncallable. Example assumes an investment-grade bond with no change to the credit quality of the bond. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against loss. The value and price of a bond can fall as well as rise, so you may get back less than you invested if you sell prior to maturity.

How Interest Rates Impact Face Value

- A bond at a **premium** is selling for more than par
- A price of 105 means the bond is selling for 105% of par value – **1.05 x $10,000 = $10,500**

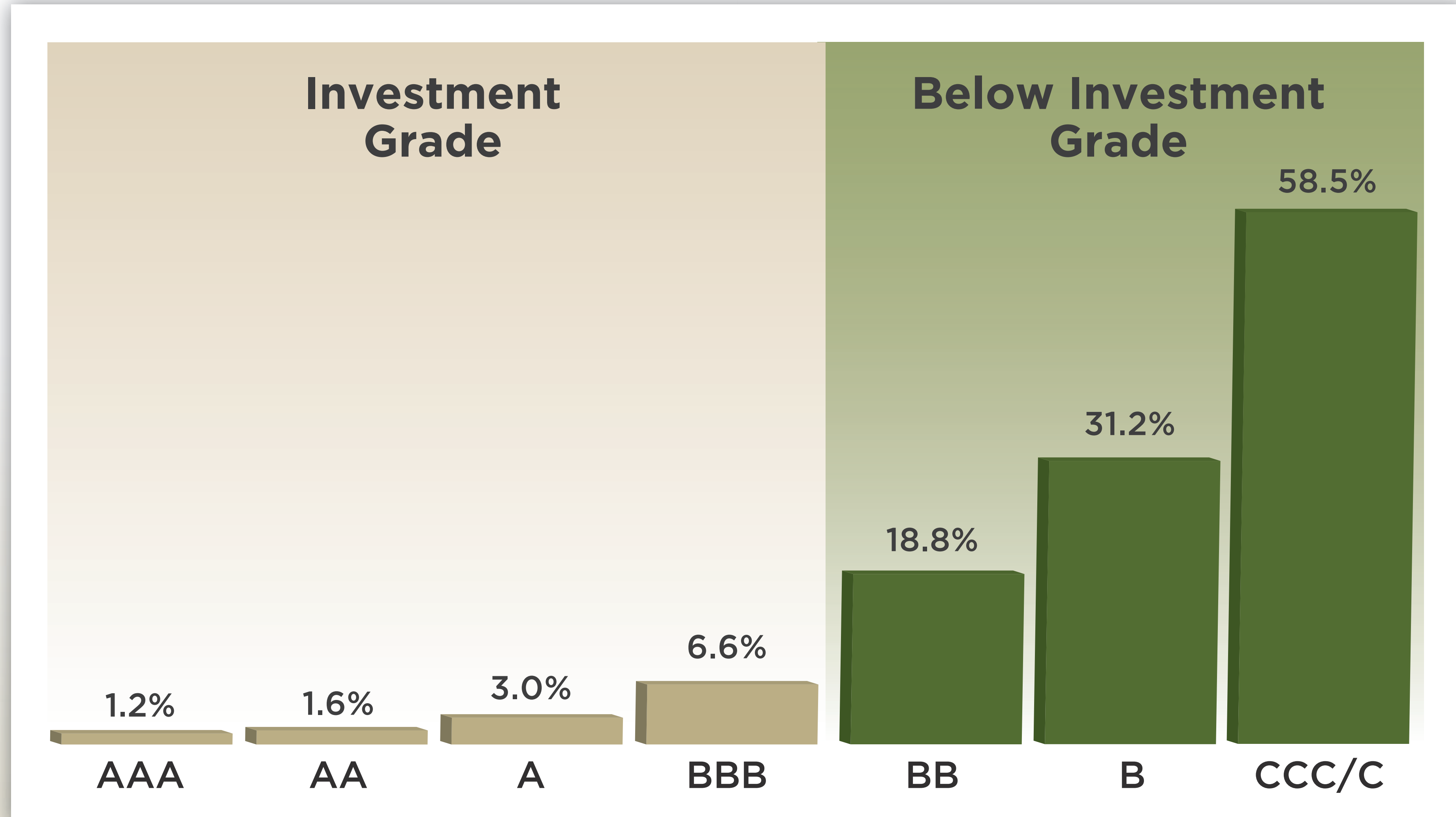
How Interest Rates Impact Face Value

- A bond at a **discount** is selling for less than par
- A price of 95 means the bond is selling for 95% of par value – **0.95 x $10,000 = $9,500**

Bond Quality/Ratings

		S&P	Moody's	Fitch
Higher Quality	Investment Grade	AAA AA A BBB	Aaa Aa A Baa	AAA AA A BBB
Lower Quality	Below Investment Grade (High-yield or "Junk" Bonds)	BB B CCC CC C	Ba B Caa Ca C	BB B CCC CC C

Average Cumulative Corporate Bond Default Rates 1981–2015



Source: Standard & Poor's, Edward Jones. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against loss. Cumulative average default rates are calculated by taking the weighted average of annual default rates in each rating category and accumulating the results across all the years covered by the study. In this way, they take into account any change in an issuer's credit rating over time.

Taxation

- Interest on corporate and government bonds is fully taxable

Why Invest in Fixed Income?

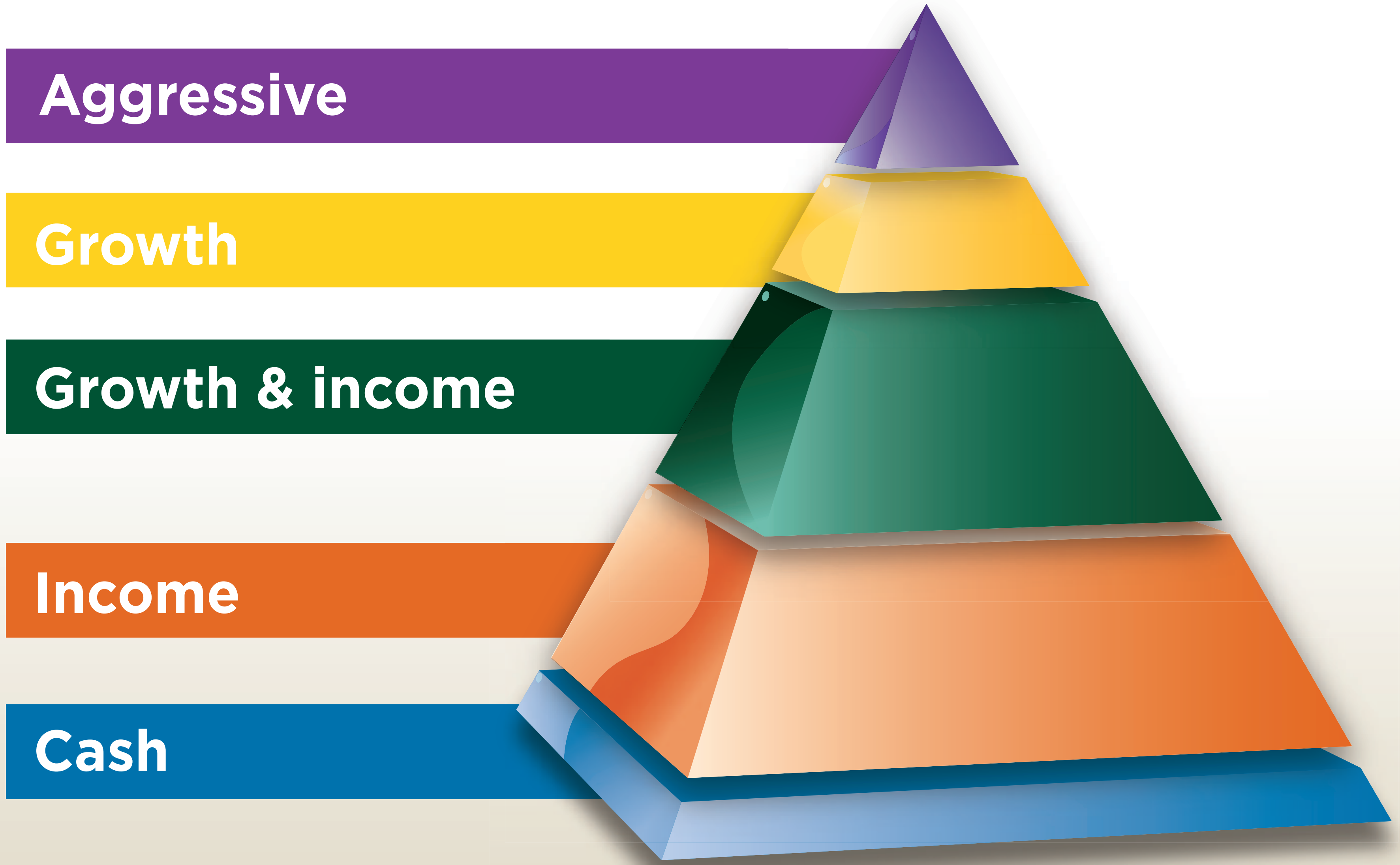
Fixed-income investments can help provide
a **reliable stream of income**

Diversification Benefits

- Owning a variety of investment types
- Help reduce overall portfolio risk
- Help preserve principal

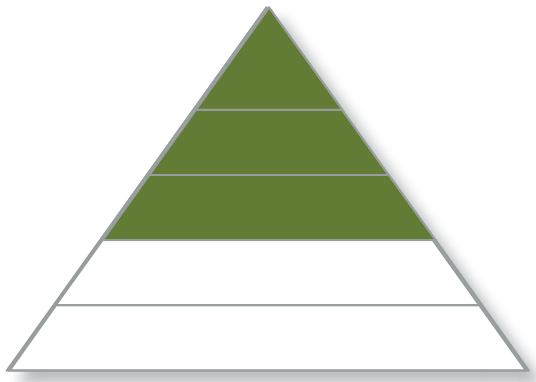
Diversification does not guarantee a profit or protect against loss.

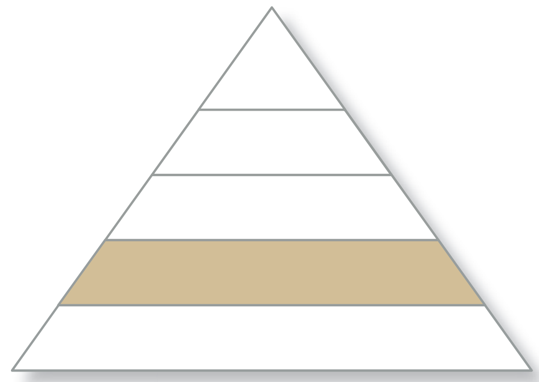
Investment Pyramid



Source: Edward Jones

Edward Jones Investment Philosophy





Stocks

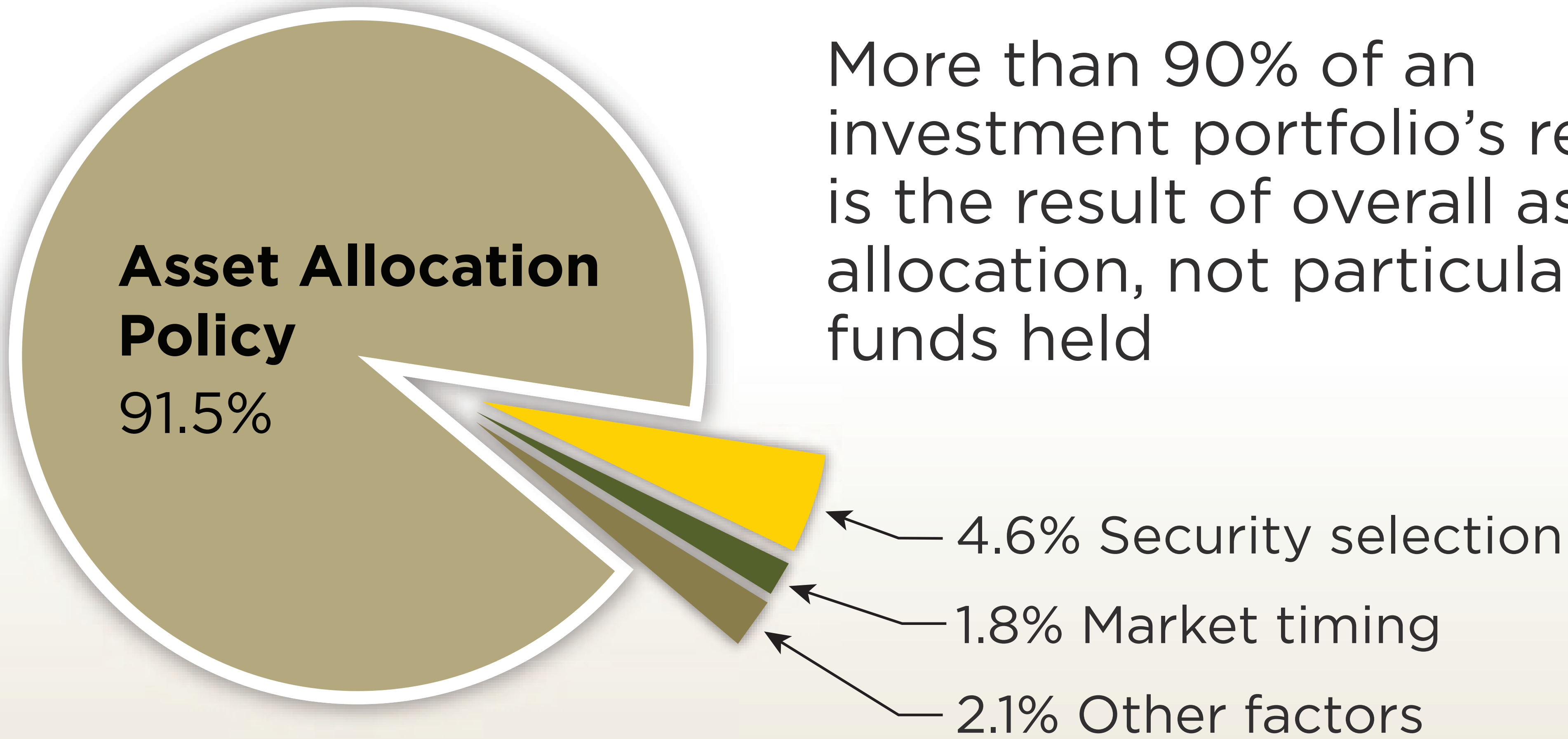
- Diversify
- Buy quality
- Long-term focus (buy and hold)

Bonds

- Diversify
- Buy quality
- Ladder maturities

Diversification does not guarantee a profit or protect against loss.

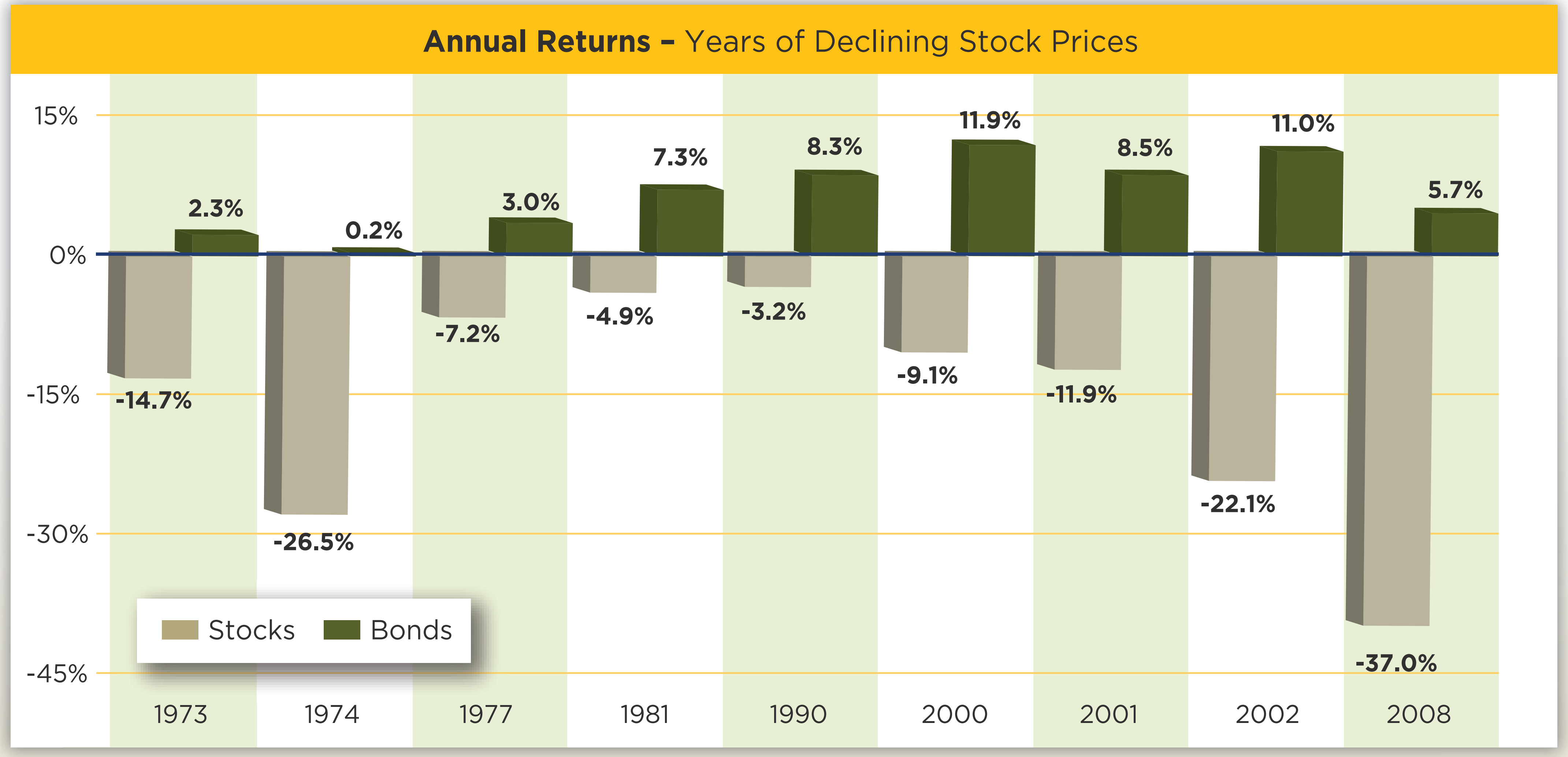
Why Asset Allocation?



More than 90% of an investment portfolio's return is the result of overall asset allocation, not particular funds held

Source: "Determinants of Portfolio Performance II: An Update," Gary P. Brinson, Brian D. Singer and Gilbert L. Beebower, *Financial Analysts Journal,* 1991. Past performance is not a guarantee of future results. Diversification does not guarantee a profit or protect against loss.

Diversifying between Stocks and Bonds



Source: Morningstar Direct. Stocks represented by the S&P 500 total return index. Bonds represented by the Barclays U.S. Aggregate Bond Index. Investment indices are unmanaged and are not available for direct investment. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against loss.

Edward Jones Recommended Bond Ladder

Short-term (up to 5 years): 30%–40%

Intermediate-term (6 to 15 years): 40%–50%

Long-term (16 years or more): 15%–25%

Bond Laddering

Stability

Helps create a steadier, more dependable income stream by selecting bonds with varying interest payment dates

Flexibility

Staggered maturity dates help you fight interest rate fluctuations

Diversification

Invest in bonds with a variety of maturity dates and coupons, as well as by investment type, such as government bonds and corporate bonds


Summary
• Loan vs. own
• Importance of fixed income
• Relationship between interest rates and bond values
• Risks
• Strategy/laddering

Questions & Answers

Thank You

PLEASE COMPLETE YOUR EVALUATION NOW

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