

RISK VERSUS RETURN

Corporate bonds are often overlooked by retail investors, seen as overly complicated financial instruments used exclusively by large institutions and fund managers. But in an environment of low interest rates and volatility in other markets, the risk-return balance has tipped in their favour. This infographic explores why high-net-worth individuals invest in corporate bonds and how yields compare with other mainstream assets

WHY INVESTORS INCLUDE CORPORATE BONDS IN THEIR INVESTMENT PORTFOLIOS

Survey of Australian high-net-worth individuals

Provides a regular and reliable income stream
Provides good returns given risk profile
For portfolio diversification
Preservation of initial capital investment
Provides a low-cost investment option
Enables maturity matching of assets and liabilities
Professional adviser recommended corporate bonds
Provides a tax-effective investment product
Other

73%
72%
66%
53%
22%
15%
9%
6%
4%

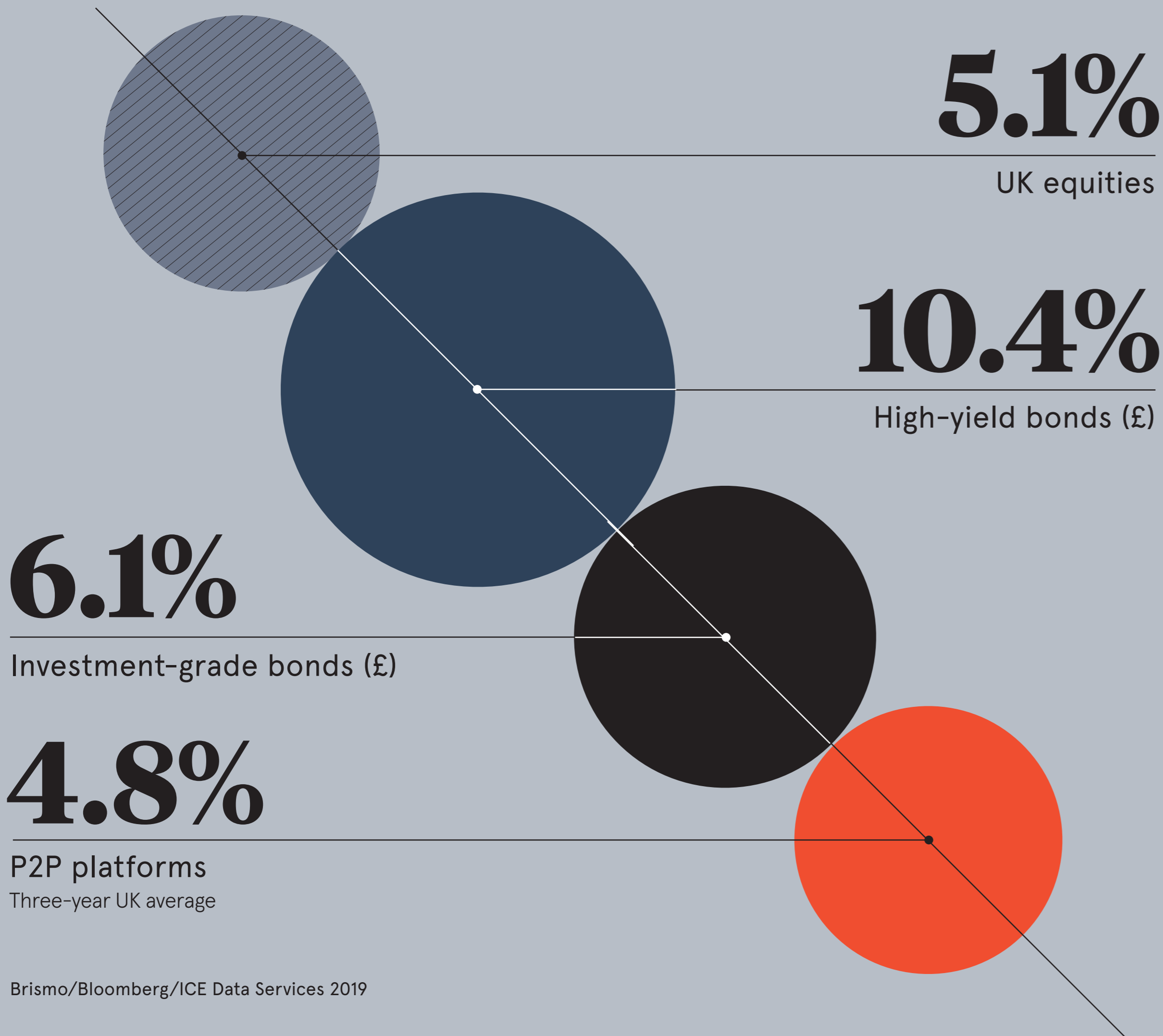
Deloitte 2018

WHY BONDS ARE MORE PREDICTABLE THAN EQUITY

BONDS	EQUITY
Regular interest income	Uncertain share price growth and dividend
Principal repaid at maturity	No guarantee of return of capital
Fixed rate of income	Uncertain dividend income
Defined investment timeframe	No specified timeframe

BONDS YIELD SUPERIOR RETURNS

Average annual return

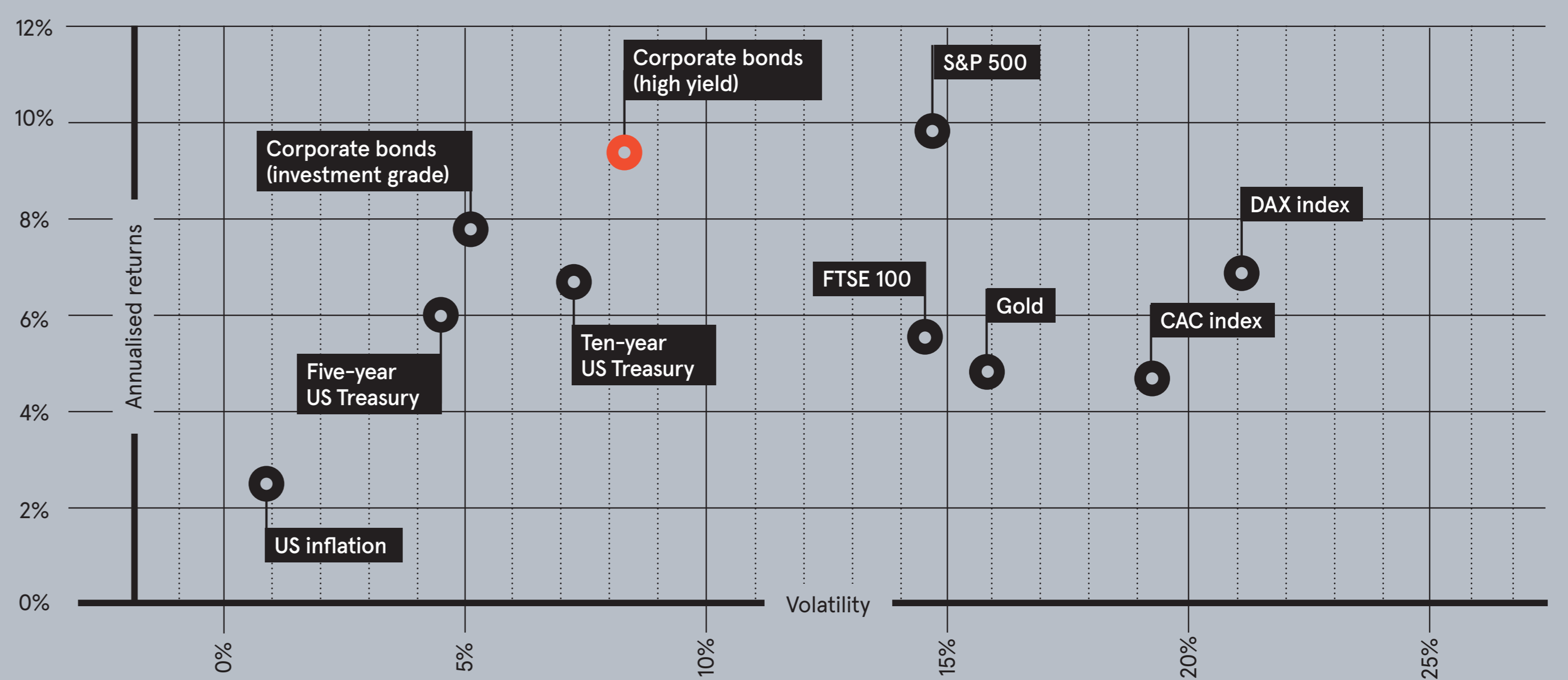


Brismo/Bloomberg/ICE Data Services 2019

RISK V RETURN CHARACTERISTICS OVER THE PAST 25 YEARS

Annualised returns based on monthly returns from 1990-2015

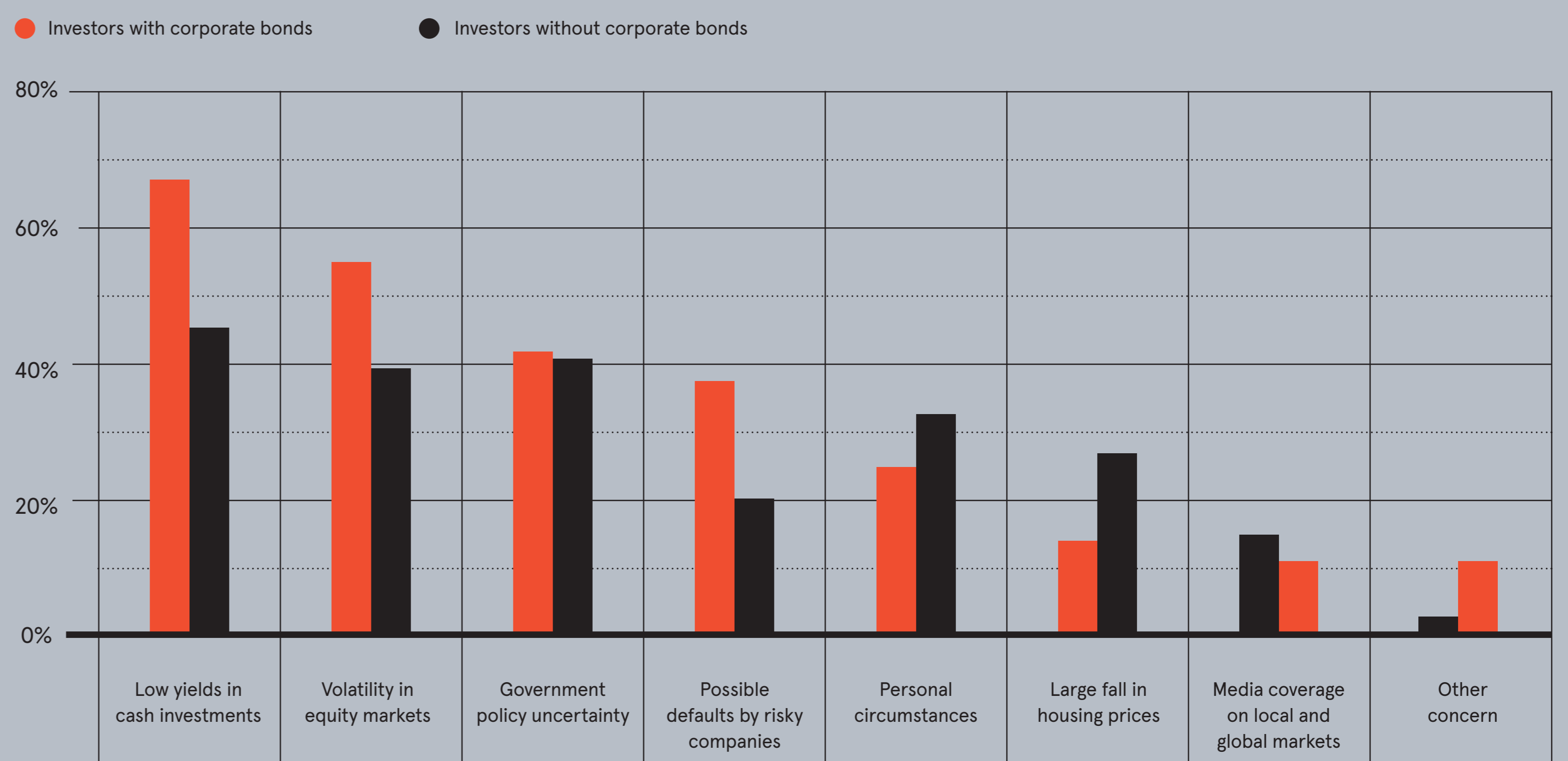
WiseAlpha/Bloomberg/J.P. Morgan 2019



CONCERNS ABOUT THE CURRENT INVESTMENT ENVIRONMENT

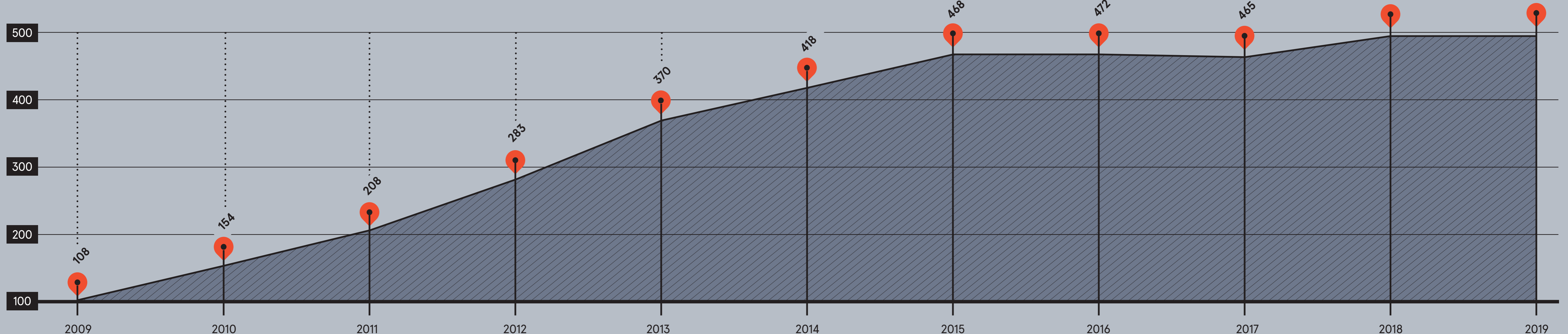
Survey of Australian high-net-worth individuals about their wider investment concerns

Deloitte 2018



GROWTH OF THE EUROPEAN HIGH-YIELD CORPORATE BOND MARKET

Market value (€bn): 2019 data correct as of October 18



Credit Suisse 2019