

Our Perspectives: Is It Time to Revisit Fixed-Income Investing?



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Interest rates haven't been this high since the 1980s. If you were investing back then, you may recall bond yields hitting double digits. However, unlike the 1980s, we believe current yields could be higher for longer, which is great for income seekers. We think now might be the time for investors to look for the benefits that are available to them in a more normal interest-rate environment. Here are five reasons why we believe allocating to bonds may be advantageous for investors today.



To learn more about the basics of bond investing, scan the QR code.

The Case for Revisiting Bond Investing

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1

Higher Yields Provide Attractive Income Opportunities

Current bond yields have risen from the ultra-low levels of the past decade. The 10-year Treasury yield has gone from around 1.5% at the start of 2022 to now over 4%. This allows investors to potentially earn higher income streams. Higher yields benefit investors by offering increased returns on their investments, while for fixed-income funds, higher yields amplify the potential dividend payout, providing greater income to shareholders.

2

Bonds Can Help Offset Equity Volatility

Stocks have seen increased volatility since 2022 amid economic uncertainty. Adding high-quality bonds to your portfolio has historically smoothed out returns and helped reduce risk.

3

Avoid Market Timing Risks

Instead of holding large cash positions, maintaining an allocation to high-quality bonds can help investors avoid the pitfalls of trying to time the market.

4

Diversification Benefits Still Exist

Even with rising rates, bonds play an important role in balancing portfolio risk and delivering income. The fixed-payment streams can complement equities.

5

Look Beyond Rate Hikes

Once the Federal Reserve finishes tightening policy, longer-term bonds may benefit. Their prices could rise, boosting total returns.

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Using Homestead Fixed-Income Strategies in Your Portfolio

Bonds can provide important diversification benefits and help stabilize returns. While stocks tend to get most of the attention from investors, bonds can play an important role in your investment portfolio — either collectively or individually. A mix of Homestead fixed-income funds can offer investors individual investment options or a pool of diversified options for your asset allocation needs.

While risks exist, they can be managed through proper portfolio construction. An allocation tailored to your investment objectives and risk tolerance may be rewarded.

Our client services team would be happy to talk with you about your goals and current investment program. Give us a call at 800.258.3030.

	Less Risk More			
	Daily Income Fund	Short-Term Government Securities Fund	Short-Term Bond Fund	Intermediate Bond Fund
Description	Money market funds invest in highly liquid, low-risk securities with short maturities.	Government bond funds invest in securities backed by the full faith and credit of the U.S. government. They offer relatively safe havens with interest income that is generally exempt from state taxes.	Short-term bond funds invest in debt-securities with maturities of one to three years. They can help provide stability and income while limiting interest rate risk.	Intermediate bond funds invest in bonds and other debt securities. They take on more risk and volatility but may offer higher yields than short-term funds. Their durations of four to six years also make them less sensitive to rate hikes than long-term bonds.
Role	Seeks maximum current income, consistent with preservation of capital and liquidity	Seeks a high level of current income	Seeks a high level of income consistent with maintaining minimum fluctuation of principal	Seeks to provide a high level of current income consistent with preservation of capital
Is this a good choice for you?	The Homestead Daily Income Fund might be appropriate if you plan to withdraw your money in the near term and want to earn a modest stream of interest on your savings.	The Homestead Short-Term Government Securities Fund may be appropriate if you're seeking a little more interest income from your savings than you'd earn in a traditional savings account and feel more comfortable investing in a fund of U.S. government securities.	The Homestead Short-Term Bond Fund may be appropriate if you're seeking a little more interest income from your savings than you'd earn in a traditional savings account.	The Homestead Intermediate Bond Fund may be appropriate if you want the potential to earn a higher level of current income than short-term fixed-income investments typically provide. The fund's share price is likely to be more volatile than that of a short-term bond fund because longer-term bonds are usually more sensitive to changes in interest rates than shorter-term securities.
Can be used for	Parking cash for near-term spending needs, such as a major appliance, vacation or upcoming milestone event.	Can help to buffer against stock market volatility.	Can help save for medium-term goals in the 12-to-48-month time period, requiring minimum volatility, such as saving for a car, home improvement project or rainy-day fund.	Can act as an anchor for a balanced portfolio or a replacement for equities and may be suitable for longer-term goals that can handle some volatility, such as saving for a home, retirement or education.

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Investing in mutual funds involves risk, including the possible loss of principal. **Past performance does not guarantee future results.**

Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 1-800-258-3030 or visit homesteadfunds.com.

As a money market fund, the Daily Income Fund has limited potential for income production. You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Debt securities are subject to interest rate risk, credit risk, extension risk, income risk, issuer risk and market risk. The value of U.S. government securities can decrease due to changes in interest rates or changes to the financial condition or credit rating of the U.S. government. Investments in asset-backed and mortgage-backed securities are also subject to prepayment risk as well as increased susceptibility to adverse economic developments. High-yield, lower-rated, securities involve greater risk than higher-rated securities.

Neither asset allocation nor diversification guarantee a profit or protect against a loss in a declining market. They are methods used to help manage investment risk.

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