



Bonds Are Back!

The recent market volatility has unsettled many clients—and rightfully so. As long-term investors, we must constantly remind ourselves of a fundamental principle: market fluctuations are normal and expected. Taking deep breaths during turbulent times can help us step back and maintain perspective.

Thankfully, and not by accident, BLBB directs clients to generally maintain an allocation to fixed income as bonds typically serve as a stabilizing asset class during market turbulence, helping to reduce portfolio volatility.

In recent weeks, both stocks and bonds have moved lower due to uncertainty surrounding imposed tariffs and concerns about inflation and U.S. dollar strength.

However, as a result of falling bond prices, bonds now offer more attractive yields than they have in recent years past, making this an opportune time to update bond allocations in portfolios. For example, 10-year Treasury bonds are currently yielding approximately 4.3%, compared to just 1.5% two years ago.¹

For taxable investors, tax-exempt municipal bonds currently provide compelling tax-adjusted yields with the high quality we seek for our clients.² This approach to investing in bonds provides us the opportunity to find attractive tax-adjusted returns while potentially minimizing excessive credit risk.

For IRA and charitable accounts, we seek to identify high-quality corporate bonds, US Treasury bonds, and taxable municipal bonds that offer attractive yields.

Even cash money market accounts now provide more respectable returns than they have for some time. BLBB clients have access to Flourish Cash which has a Money Market account that currently yields as much as 4%.³

In an effort to enhance returns for our clients' bond portfolios, we may seek limited exposure to higher risk fixed income assets such as a Municipal High Yield ETF, Taxable High Yield ETF, and emerging market ETF. By adding higher yielding securities in appropriate portfolio percentages (typically 10-15% of the fixed income allocation), we seek out additional yield while managing interest rate risk through a moderate-duration approach.

At BLBB, our dedicated in-house fixed income portfolio manager collaborates with your financial advisor in an effort to construct a high-quality, moderate-duration bond portfolio tailored specifically to your individual needs and we believe our capabilities enhance the overall value of our wealth management advisory services.

If you would like to discuss how today's bond market opportunities are changing your portfolio's stability and income, please contact your BLBB advisor (215-643-9100) for a personalized fixed income strategy review.

¹ <https://fred.stlouisfed.org/series/DGS10>

² <https://www.barrons.com/articles/bonds-yields-munis-tips-124ae7ea>

³ <https://www.flourish.com/advisors>

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Asset Allocation and Diversification- While Asset Allocation and Diversification are two investment strategies used by BLBB to help manage investment risk by allocating investments across a variety of asset classes and securities, neither strategy alone, or in combination, guarantees a profit, or protects against a loss, in a declining market.

*Flourish Cash is a BLBB branded product offered by Flourish Financial LLC ("Flourish"), a registered broker-dealer and FINRA member not affiliated with BLBB. **Flourish is not a bank.** Flourish provides cash management services to registered investment advisers like BLBB and other financial institutions. Flourish has access to a wide range of cash management solutions through various select FDIC-member banks ("Program Banks") which allows Flourish to provide what it believes are better rates for short term cash deposits than traditional money market sweep vehicles generally offered by custodians. Yields on Flourish accounts are set by Flourish and are subject to change.*

Exchange Traded Funds (ETFs) are comprised of a publicly traded basket of underlying securities. When investing in an ETF, you will bear additional expenses based on your pro rata share of the ETF's operating expenses, including the potential duplication of management fees. The risk of owning an ETF generally reflects the risks of owning the underlying securities the ETF holds. You may also incur brokerage costs when purchasing or selling ETFs.

High yield bonds are subject to greater credit risk and volatility than investment grade bonds and yield rates provided herein, while current at the time of publication, are subject to change. Tax exempt income may be subject to other state or local taxes as well as the federal alternative minimum tax. Please consult your tax adviser.

Investing involves the potential risk of loss and past performance is no guarantee of future results.

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