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Why add duration?

Where you start often correlates to where you finish

For many investors, intermediate-term bonds may appear attractive today, especially in the current yield environment.

Key takeaways

- Over history, yields at initial investment have been highly correlated with five-year returns for intermediate-term bonds, which has created attractive entry opportunities for investors.
- The chart on the right shows there is not much difference between the subsequent annualized five-year returns found with the Bloomberg US Aggregate Bond Index and their yield to worst returns. Subsequent annualized returns are the average returns an investment earns over a given time period.

Yield to worst measure the lowest yield possible that can be received on a bond that does not default.

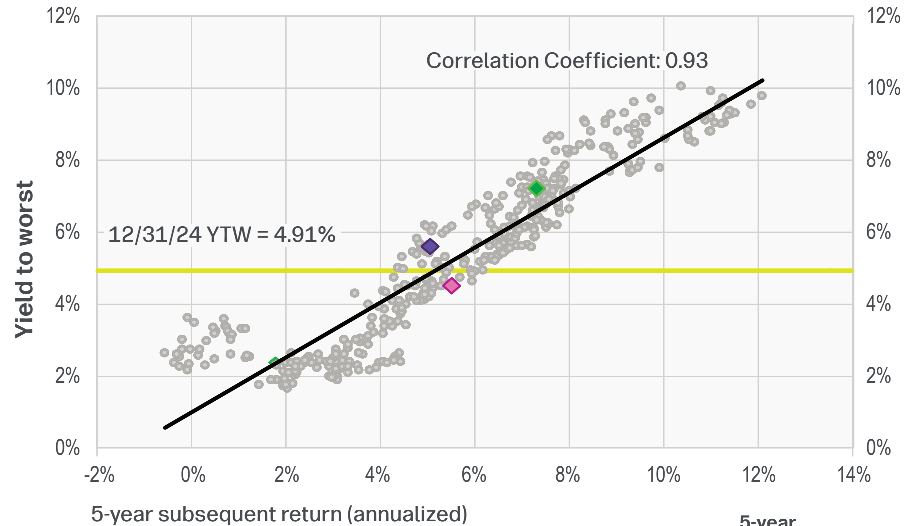
Duration measures the price sensitivity of a fixed income investment to changes in interest rates. The longer the duration, the more a fixed income investment's price will change when interest rates change. Duration also reflects the effect of the timing of when investors receive cash flows.

Correlation is measured by the correlation coefficient, which is a measure of the relationship between two variables, ranging from -1 to +1. A correlation coefficient of +1 indicates the variables perfectly correlated to each other, while a -1 indicates a perfectly inverse relationship. A correlation of 0 indicates the variables have no relationship in either direction.

An opportunity in fixed income

Bloomberg US Aggregate Bond Index

Yield to worst and subsequent annualized 5-year returns • January 1986 to December 2024



	Event	Start date	Yield to worst	5-year subsequent return
◆	Financial Crisis	2/29/2008	4.49%	5.52%
◆	Dot Com Bubble	12/31/2001	5.60%	5.06%
◆	S&L Crisis	7/31/1994	7.15%	7.31%

Source: Bloomberg. Bloomberg US Aggregate Bond Index: Measures investment grade, U.S. dollar denominated, fixed-rate taxable bonds, including Treasuries, government related and corporate securities, as well as both mortgage- and asset-backed securities. It is not possible to invest directly into an index. Calculations assume dividends and capital gains are reinvested and do not include any managerial expenses.

Ask your financial professional today about the important role fixed income mutual funds can play in your portfolio.

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Mutual funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contained in the prospectus. Please visit transamerica.com or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.

Fixed income securities are subject to risks including credit risk, interest rate risk, counterparty risk, prepayment risk, extension risk, valuation risk, and liquidity risk. Interest rates may go up, causing the value of the Fund's investments to decline. Changes in interest rates, the market's perception of the issuers and the creditworthiness of the issuers may significantly affect the value of a bond.

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