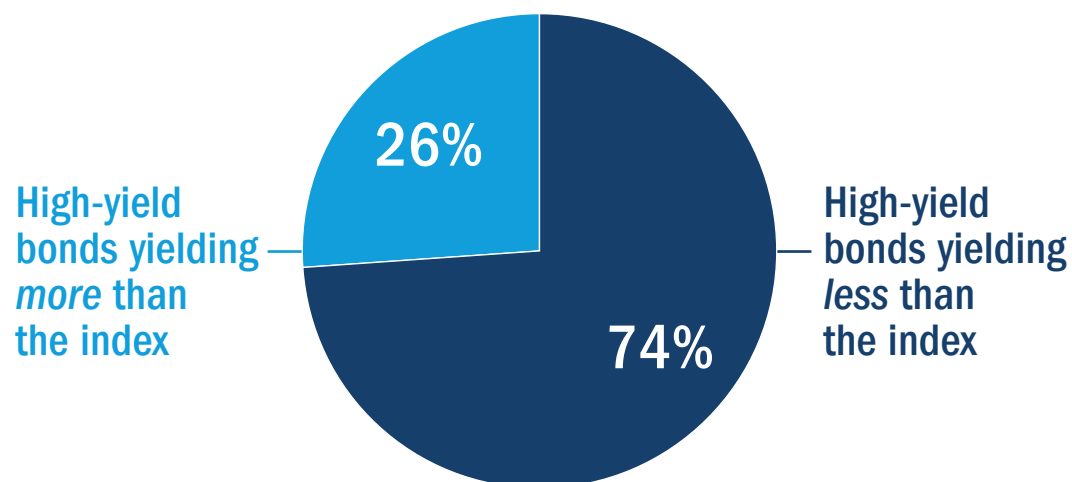


### ▶ Expecting your high-yield portfolio to match the index yield? Be cautious—most high-yield bonds yield less

A small segment of high-risk bonds drives up the average yield



Source: Bloomberg and Columbia Threadneedle Investments, as of January 31, 2020. High-yield bonds: ICE BofAML US Cash Pay Constrained High Yield Index, which represents below investment-grade U.S. dollar-denominated bonds making coupon payments in cash and that have at least \$100 million in outstanding issuance. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

**More than 70% of the high-yield universe currently yields less than the high-yield index (yield to worst: 5.6%).** However, a growing share of the market yields upward of 7%, reflecting the increased possibility of defaults within select sectors such as energy, telecommunications, retail and healthcare.

**With yields frustratingly low, it can be tempting to stretch for more income by focusing on the highest yielding bonds.** But this is a risky move. Many of these high-yielding bonds don't offer enough incremental income over investment-grade bonds to justify the additional risk and volatility.

**Yield to worst** is the lowest potential yield that can be received on a bond without the issuer defaulting.

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