

Bond Duration Got You Here. Now What?

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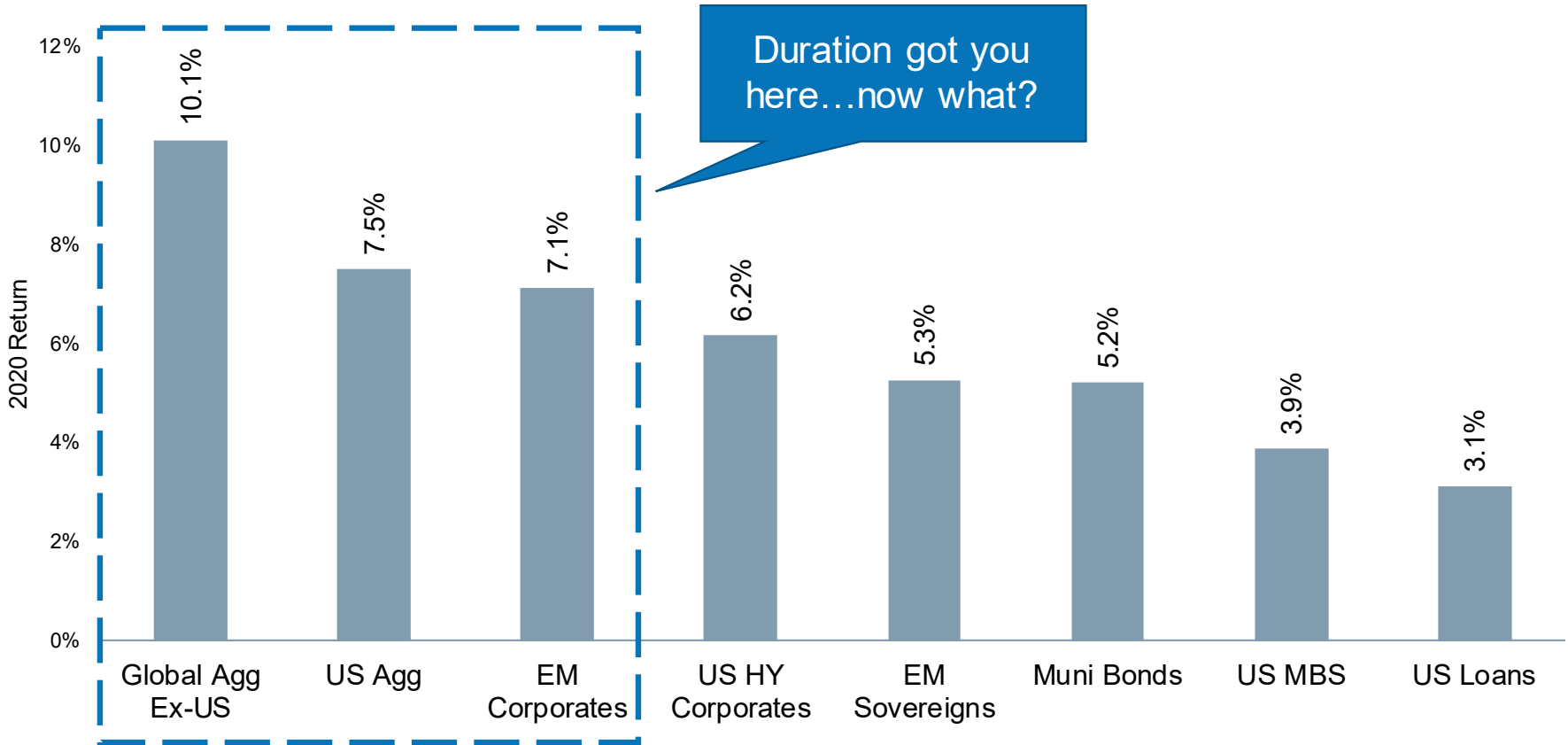


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Source of all data: Eaton Vance, unless otherwise stated.



Mettle Tested During COVID-driven Selloff



Yield (%)	0.6	1.1	3.4	4.2	4.5	1.8	1.3	4.7
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Source: Bloomberg Barclays, J.P. Morgan, ICE BofA Data Indices, LLC, Factset, and LCD, an offering of S&P Global Market Intelligence. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. As of December 31, 2020. Municipal bond yield is the taxable-equivalent yield using the max tax rate of 40.8%.

3 | Yields Have Fallen Dramatically Throughout the World



10-Year Government Bond Yields



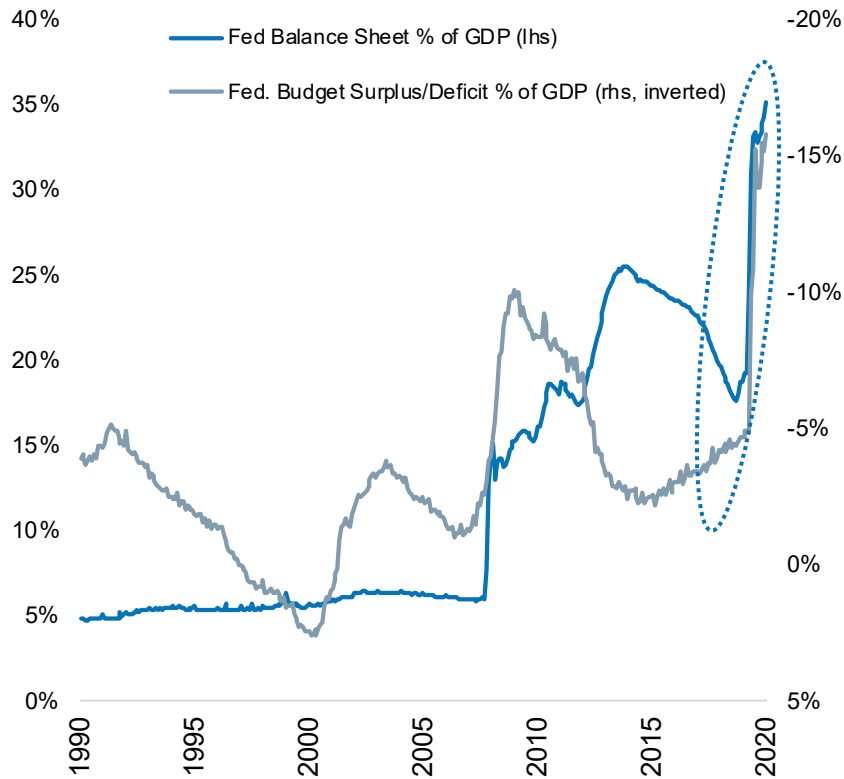
Source: Macrobond. **Past performance is not a reliable indicator of future results.** As of December 31, 2020.

4 | Coordinated Monetary & Fiscal Policy – Unprecedented Amount of Stimulus

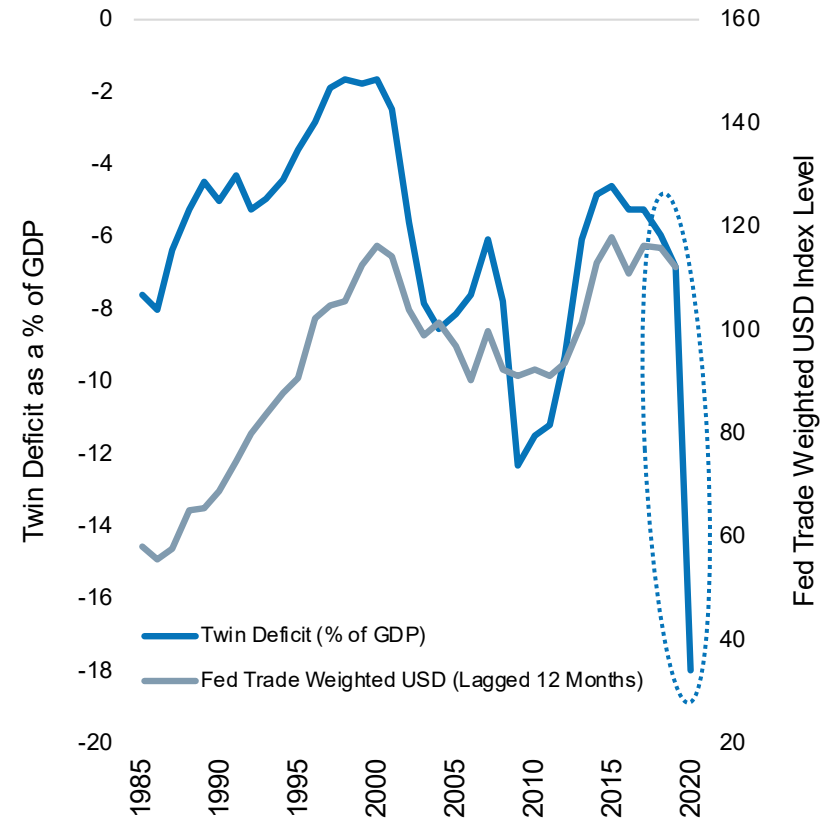


Deficits Expected to Drive US Dollar Weakness

Fiscal & Monetary Policy Coordinated



Twin Deficits and the U.S. Dollar

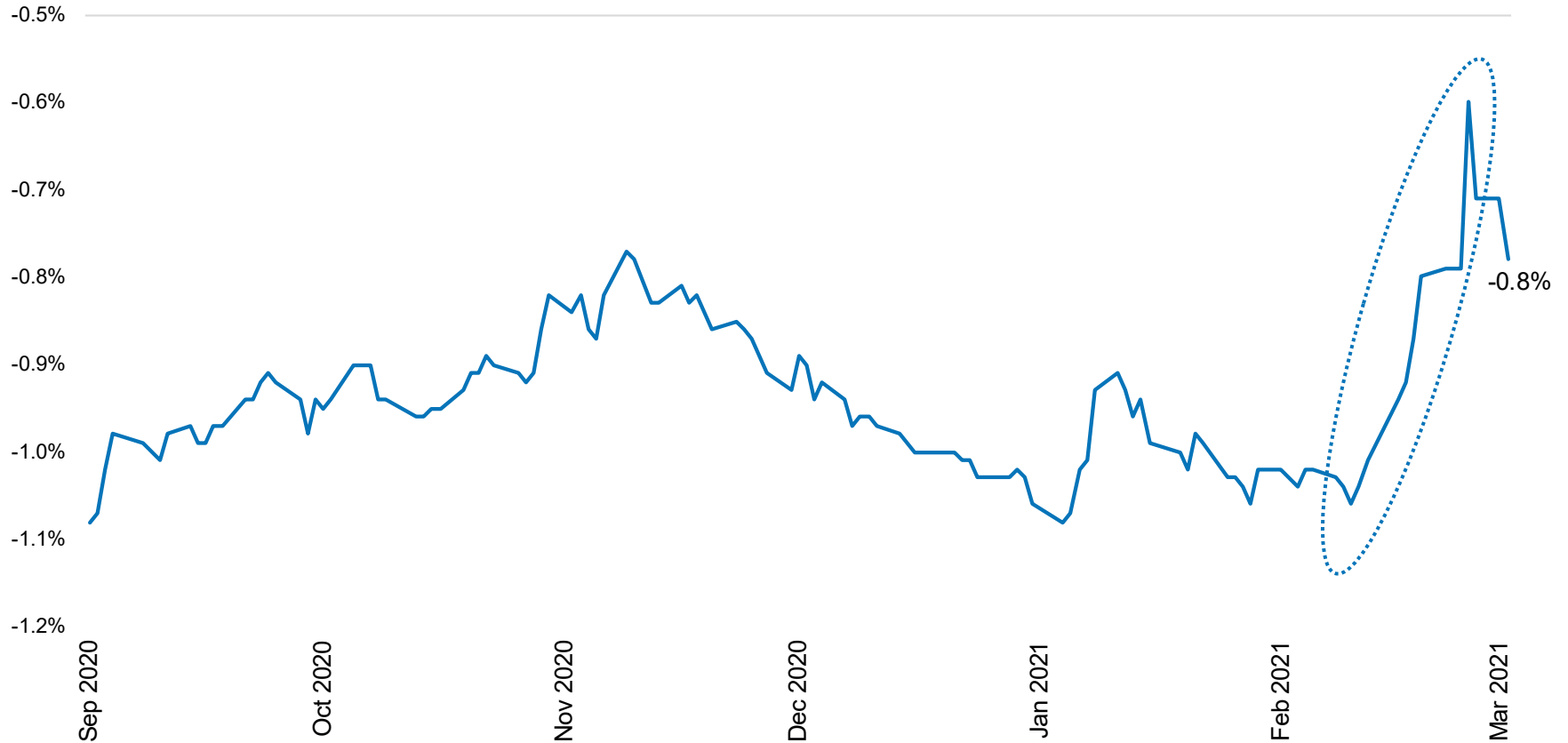


5 | Additional Fiscal Relief Measures Have Driven Real Rates Higher in Recent Weeks



Higher Real Yields May Signal the US Economy Is Gaining Momentum

10-Year US Treasury Real Yields

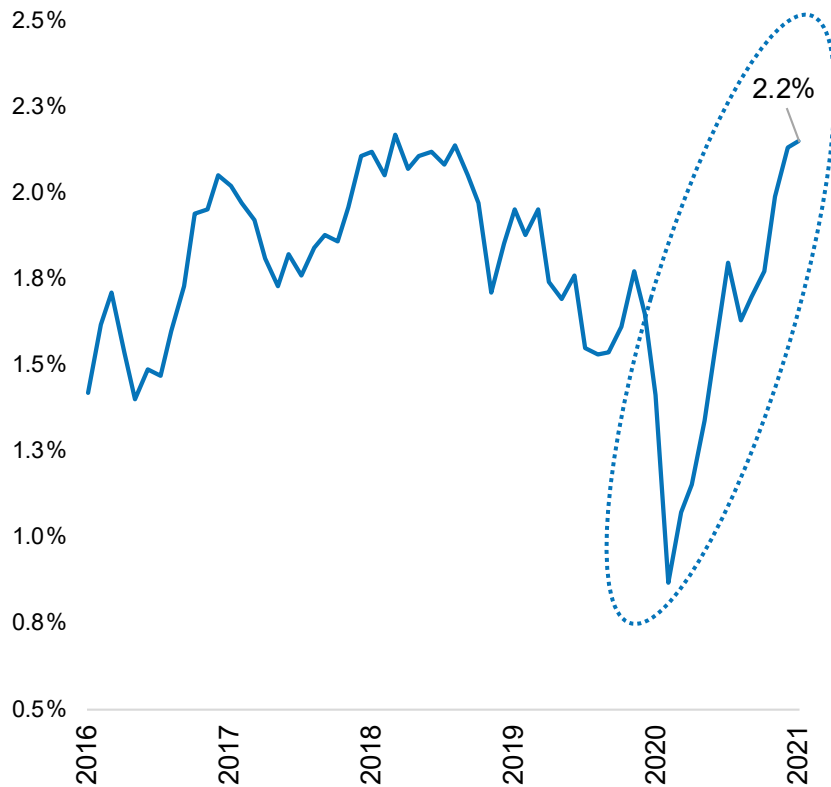


Source: Federal Reserve as of March 3, 2021. **Past performance is not a reliable indicator of future results.** Real yields measure Treasury Inflation Protected Securities (TIPS) at a 10-year constant maturity.

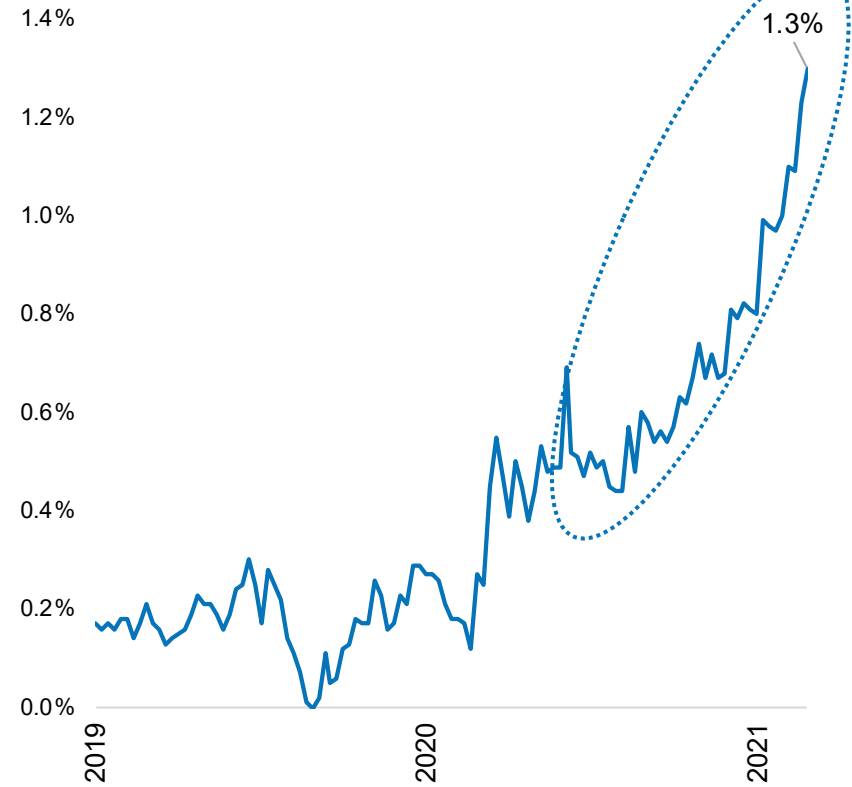


Investors & the Financial Media Have Taken Notice

10-Year US Breakeven Inflation Rate



10-Year Minus 2-Year US Treasury Spread



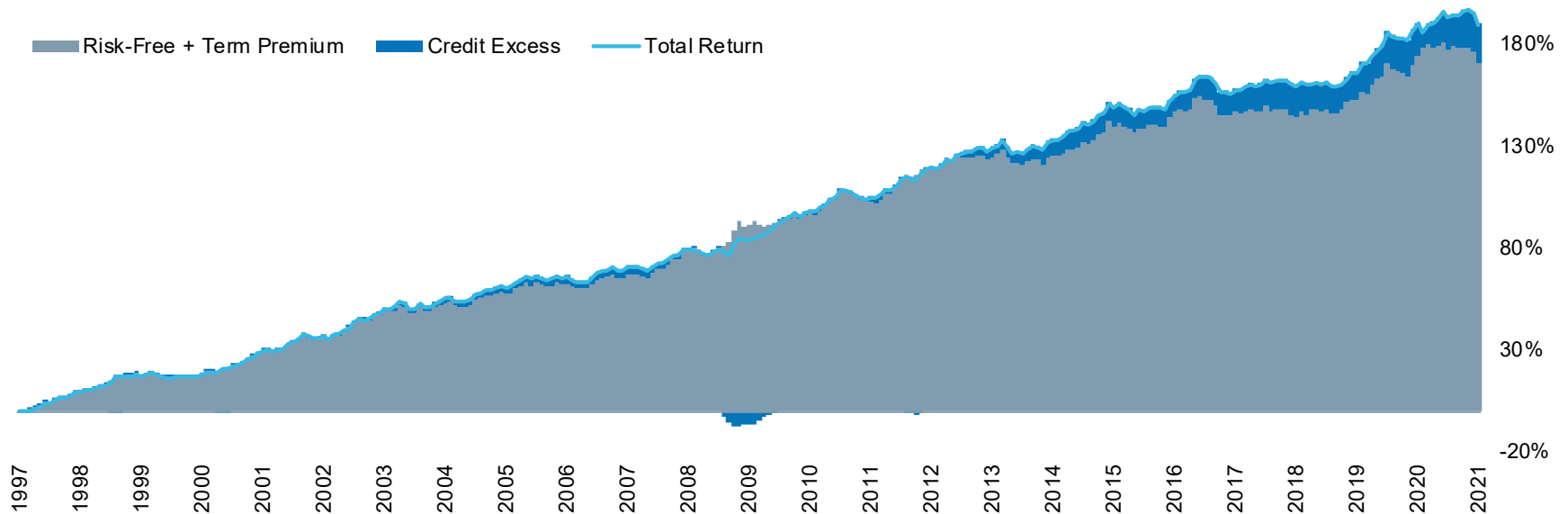
Sources: Federal Reserve of St. Louis, Macrobond. **Past performance is not a reliable indicator of future results.** As of February 28, 2021. The 10-year inflation breakeven rate measures the rate of inflation implied by subtracting the yield on 10-year Treasury Inflation Protected Securities (TIPS) from nominal 10-year Treasury bond yields.

7 | Historical Bond Returns Appear Unlikely to Repeat in the Future...



Headwinds: Yields Are Low and Duration Risk Has Extended

Global Broad Market Index (GBMI)	Annualized Returns
Risk-free + term premium	4.2%
Credit excess return	0.4%
Total return	4.5%



Past performance is not a reliable indicator of future results. Source: Eaton Vance Management, ICE Data Indices, LLC. As of February 28, 2021. For illustrative purposes only and does not represent the actual returns of an investor/investment. Should not be considered or used for investment purposes. GBMI is the ICE BofA Global Broad Market Index. Please see the end of this presentation for important additional information and disclosures.

8 | While Bond Duration Doesn't Pay...It May Also No Longer Hedge

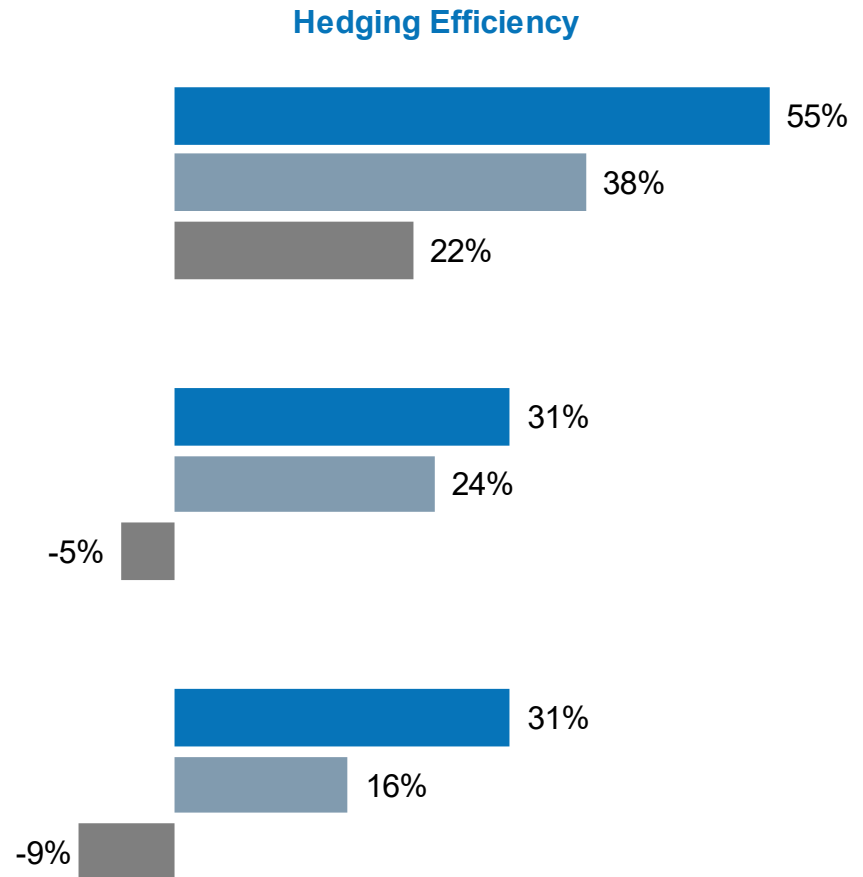


With Lower Starting Yields, High-Quality Bonds Also Have Shown a Declining Ability to Hedge Stocks

	US	
	Equity Drawdown	Bond Return
Dot Com Bust	-49%	27%
Financial Crisis	-57%	21%
COVID Pandemic	-34%	8%

	Europe	
	Equity Drawdown	Bond Return
Dot Com Bust	-60%	19%
Financial Crisis	-61%	15%
COVID Pandemic	-36%	-2%

	Japan	
	Equity Drawdown	Bond Return
Dot Com Bust	-63%	20%
Financial Crisis	-61%	10%
COVID Pandemic	-31%	-3%

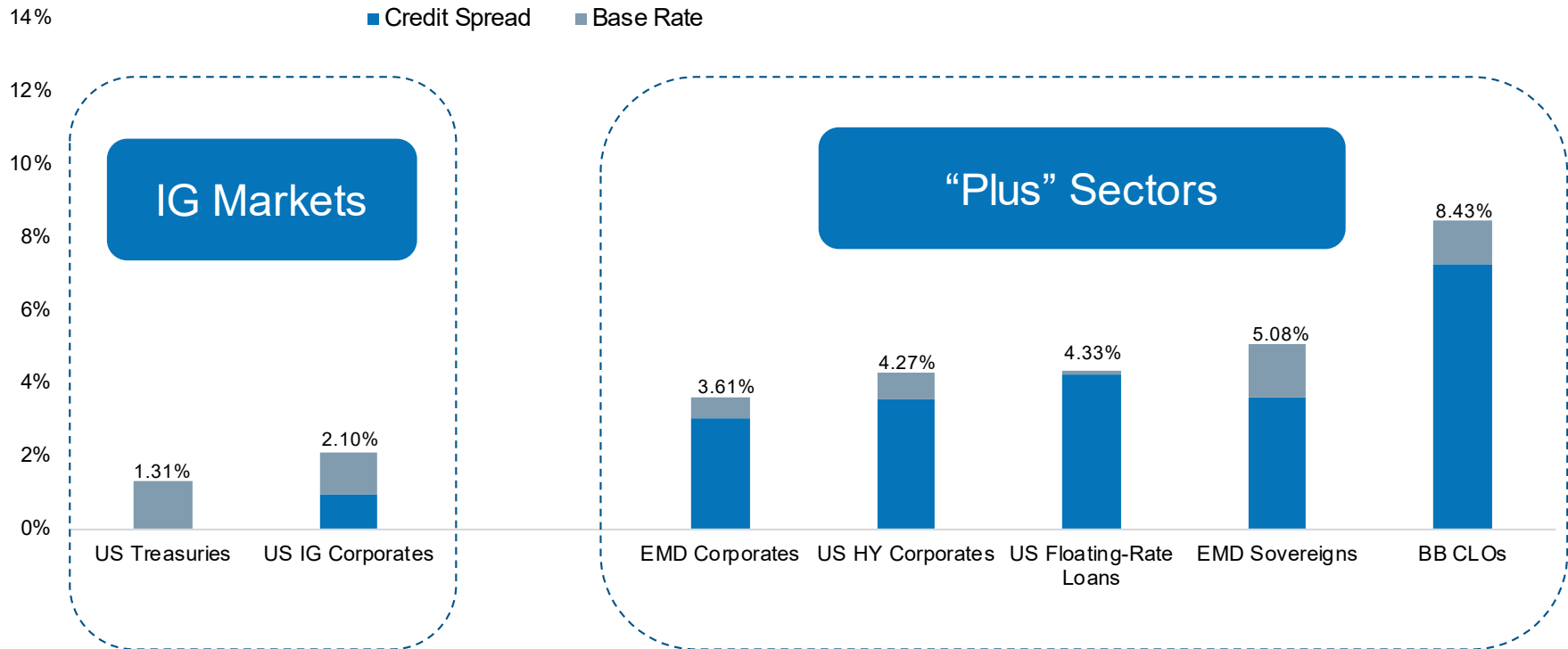


Source: Eaton Vance, Bloomberg. **Past performance is not a reliable indicator of future results.** Equity drawdown returns are represented by the S&P 500 for the U.S., the Stoxx-Europe 600 for Europe and the Nikkei 225 for Japan. Bond returns for all three regions are represented by returns of 10-year interest-rate swaps. Periods shown represent peak-to-trough performance. Hedging efficiency is defined as the portion of the equity drawdown that is offset by 10-year swaps in an equivalent notional amount. Data provided is for informational use only. It is not possible to invest directly in an index, which does not reflect the deduction of fees and expenses.



Low Base Rates Place Greater Importance on Efficiently Harvesting “Credit Spread”

Credit Sector Yields



Past performance is not a reliable indicator of future results. Sources: Eaton Vance, ICE Data Indices, LLC, LCD. As of February 28, 2021. Please see the end of this presentation for important additional information and disclosures. US Treasuries represented by the ICE BofA US Treasury 7-10 Year Index. US IG Corporate represented by the ICE BofA US Corporate Bond Index. EMD Corporates represented by the J.P. Morgan Corp. EM Bond Index (CEMBI) Broad Diversified. EMD Sovereigns represented by the J.P. Morgan EM Bond Index (EMBI) Global Diversified. US Floating-Rate Loans represented by the S&P/LSTA Leveraged Loan Index. US HY Corporates represented by the ICE BofA US High Yield Index. BB CLOs represented by the J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Post Crisis

10 | EMD Has Historically Delivered Positive Performance in Times of USD Weakness



USD vs JP Morgan EMB (JEMB) 50% Hard / 50% Local Currency Index



Sources: Federal Reserve of St. Louis. As of December 31, 2020. **Past performance is not a reliable indicator of future results.** Please see the end of this presentation for important additional information and disclosures.



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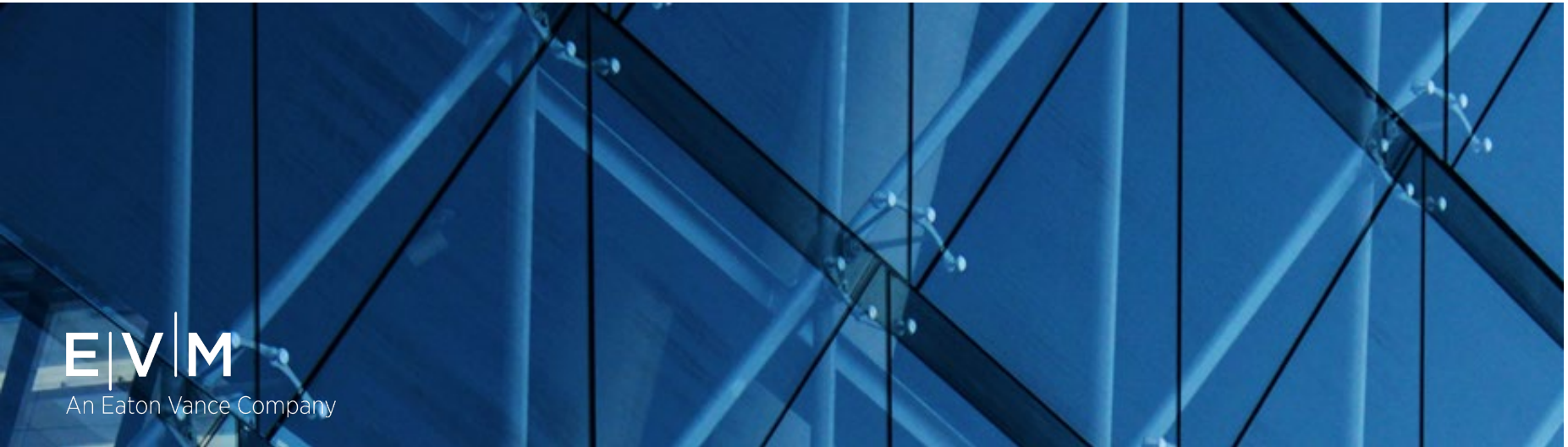
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