

Inspire Investing

Investor Resource

**Is Inspire Corporate Bond ETF
(IBD) the Unsung Hero as
Interest Rates Drop?**

As the Federal Reserve signals the beginning of a rate-cutting cycle, investors are reassessing where to find stability and income in their portfolios. While attention often gravitates toward equities in times of monetary easing, corporate bond ETFs – particularly those with high-quality exposure – may be poised to deliver compelling total return potential. Among them, the **Inspire Corporate Bond ETF (IBD)** stands out as a quietly powerful player for the months ahead.

A Shifting Interest Rate Landscape

After a prolonged period of elevated short-term rates, the bond market appears to be on the cusp of normalization. The yield curve, which has been inverted for much of the past two years, is gradually flattening as investors price in future rate cuts. This dynamic creates a tailwind for intermediate-duration investment-grade bond ETFs like IBD, which tend to benefit as yields decline and bond prices rise.

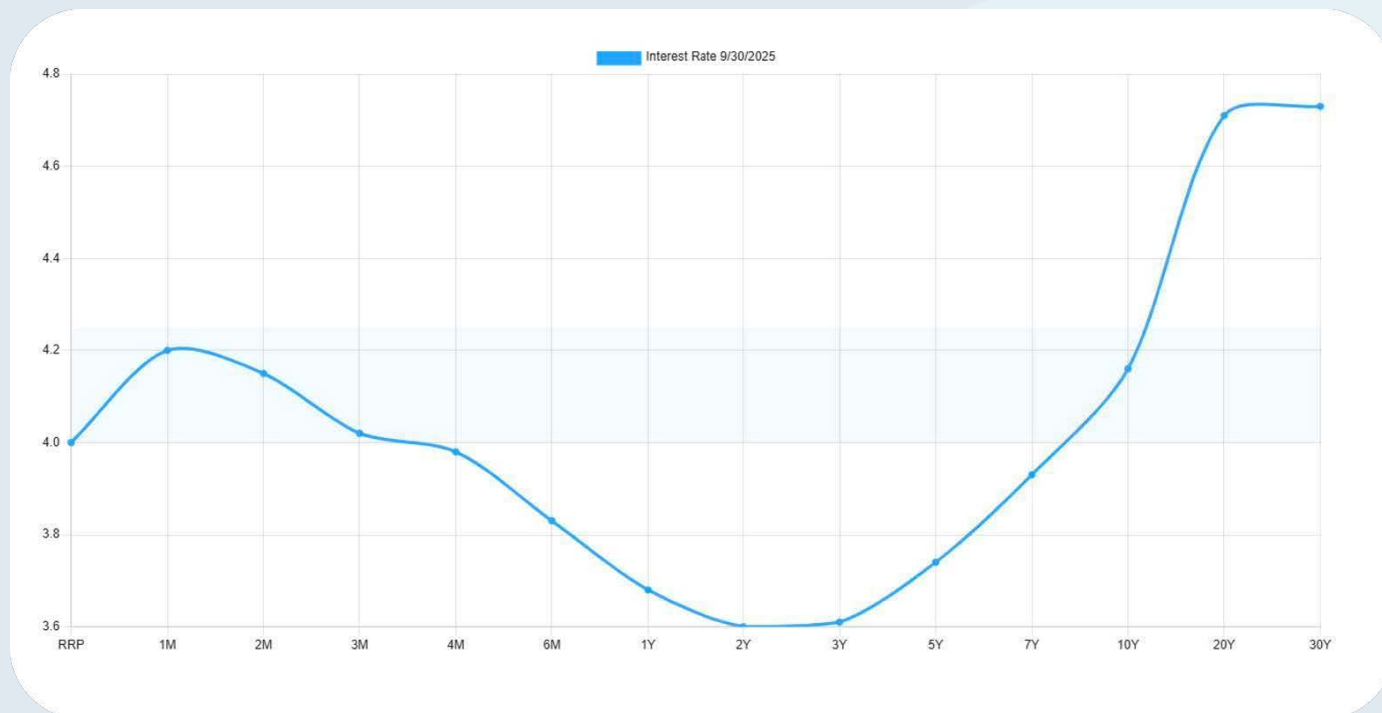


Figure 1 – US Treasuries Yield Curve as of 09/30/2025; Source: <https://www.ustreasurysupplycurve.com/>.

In practical terms, as rates move lower:

- **Existing bonds with higher coupons** become more valuable.
- **Intermediate-duration portfolios** aim to capture the sweet spot – balancing income generation with price appreciation.
- **Corporate credit spreads** often tighten as economic outlooks stabilize, further enhancing potential returns for quality issuers.

IBD's portfolio, anchored in investment-grade corporate debt, sits squarely in this favorable zone.

Why IBD May Be Well Positioned

1. Intermediate Duration Exposure

With an effective duration around the intermediate part of the curve, IBD is strategically positioned to benefit if the yield curve continues to normalize. Longer-duration funds may capture more upside if rates fall dramatically, but they also carry greater volatility. IBD strikes a balance, offering meaningful rate sensitivity without the whiplash of extended maturities.

Past performance is not indicative of future results. Actual outcomes may vary.

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2. High-Quality Corporate Holdings

IBD focuses on **investment-grade corporate bonds**, offering exposure to financially strong companies with stable balance sheets. In a soft-landing environment – where rates fall but credit conditions remain healthy – this quality bias is especially valuable. Investors can capture attractive yields without taking on speculative credit risk.

3. Attractive Income in a Lower-Rate Future

Even as yields compress, IBD's current income potential remains competitive. The ETF provides access to a diversified mix of corporate issuers, allowing investors to maintain a healthy level of yield while positioning for potential price appreciation as the Fed eases.

The Case for IBD in Late 2025

If the Federal Reserve begins trimming rates in the coming quarters, total returns for investment-grade corporate bonds could strengthen considerably. Historically, in five of the last six rate-cutting cycles, investment-grade corporate bonds have outperformed both the Bloomberg U.S. Aggregate Bond Index and the Bloomberg U.S. Treasury Index in the 12 months following the first rate cut – by an average of 3.25% and 4.33%, respectively. With only 11 investment-grade corporate bond defaults over the past 25 years, these higher returns have historically come with relatively low levels of risk – offering the potential to rival that of government securities.¹

12-Month Performance Following the Fed's First Interest-Rate Cut

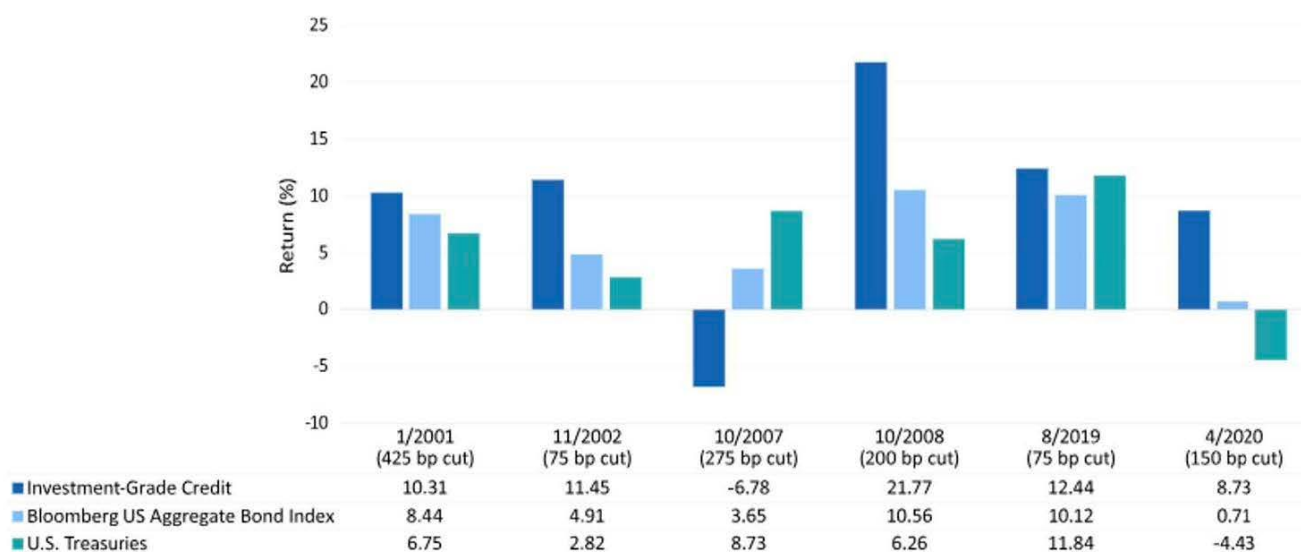


Figure 2 - **Past performance is not indicative of future results.** Source: Morningstar (<https://www.aristotelfunds.com/post/the-year-in-fixed-income-told-in-10-charts>) as of 7/31/24. Investment-grade corporate bonds represented by the Bloomberg US Corp Investment Grade Index, which measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. The Bloomberg US Aggregate Bond Index (Agg) is composed of investment-grade U.S. government bonds, investment-grade corporate bonds, mortgage pass-through securities, and asset-backed securities, and is commonly used to track the performance of U.S. investment-grade bonds. U.S. Treasuries represented by the Bloomberg US Treasury Index, which is made up of U.S. government bonds of various durations.

In that context, **IBD may be one of the most underappreciated tools** for investors seeking both steady income and the potential for capital gains. Its disciplined structure, credit quality, and faith-driven approach make it not only timely but also purpose-aligned – an ETF that rewards both financial prudence and values consistency.

The Inspire Corporate Bond ETF (IBD) may not grab headlines like growth or AI-themed funds, but as the rate environment shifts, it could prove to be one of the quiet winners of the next market phase. For investors seeking yield, stability, and alignment with their values, IBD offers a compelling, often overlooked opportunity to let conviction and strategy work hand in hand.

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Third-party data sources cited are believed to be reliable but are not guaranteed for accuracy or completeness.

¹Source: <https://www.aristotlefunds.com/post/the-year-in-fixed-income-told-in-10-charts>

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