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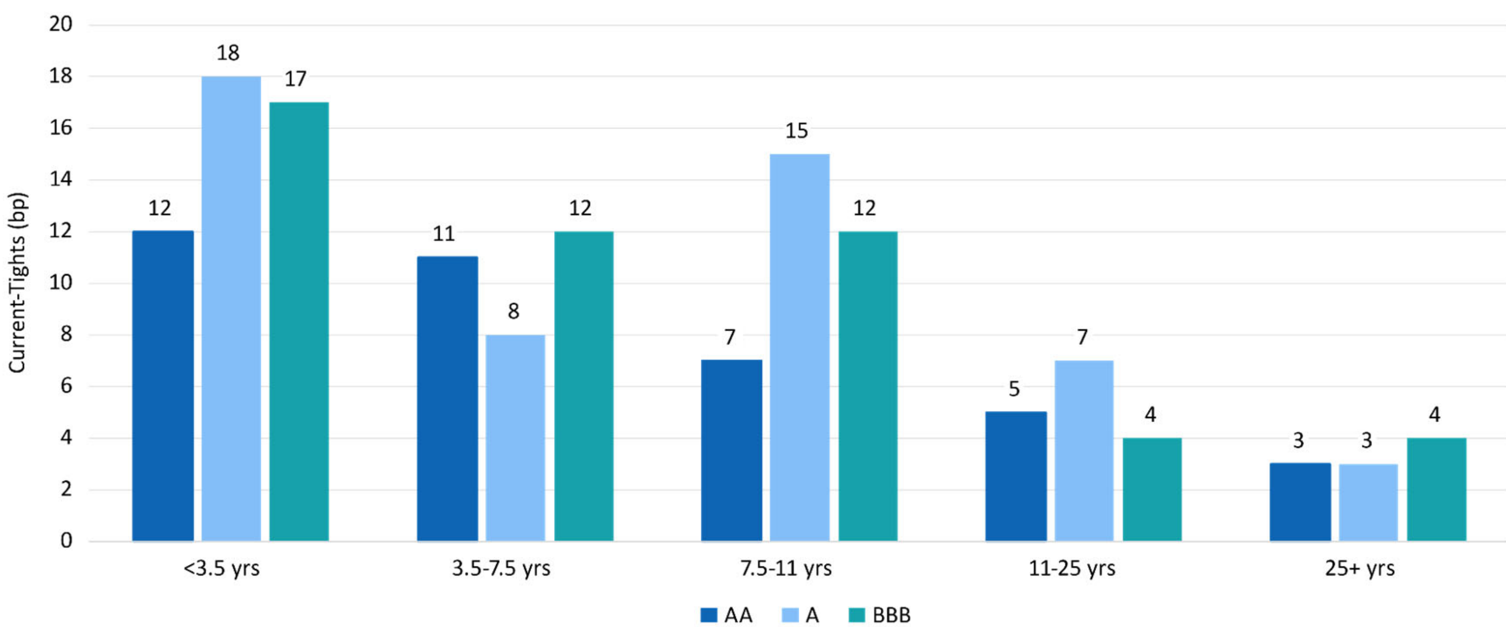
# SHORT DURATION BONDS HAVE OFFERED THE MOST SPREAD CUSHION

Short-end corporate bonds still have meaningful room for spreads to compress versus their historical tights, particularly in the BBB and A maturity buckets under 7 years. At the very front-end, both single-A and BBB securities have 15-20 basis points of room before reaching their historical tights. At 5 years, there's about 10 basis points left while 10 years have 10-15 basis points. In the 25 year and above segment, spreads across ratings have only marginally moved from recently reached all-time tights. This suggests that the marginal push tighter will likely be driven by shorter duration and that shorter-duration credit is the part of the market best positioned to potentially benefit if spreads continue to compress.

## Most Spread Cushion Exists at the Front-End




**Past performance does not guarantee future results. Investing involves risk, including loss of principal.** Source: Bloomberg as of 9/30/25. Short-duration bonds are fixed-income investments with a short time to maturity, typically between one and five years. Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, represented by treasury bonds. Spread income refers to the additional income from this difference. Tights mean the tightest or lowest spread level a bond has ever traded in history. Maturity is the date on which the life of a transaction or financial instrument ends, after which it must either be renewed, or it will cease to exist. Basis points, otherwise known as bps or "bips," are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk. Front end on a curve like the yield curve refers to the portion of the curve representing short-term securities with maturities of one year or less. Ratings are expressed as letters ranging from "AAA," which is the highest grade, to "D," which is the lowest grade. Investment grade refers to a bond considered investment grade if its credit rating is BBB- or higher.

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