U.S. FIXED INCOME SECURITIES

U.S. Treasuries	Municipal Bonds	Agency Bonds	Mortgage Backed Securities	Corporate Bonds
Features • U.S government debt securities issued through the U.S. Department of Treasury. • Backed by the full faith and credit of the U.S. Treasury Department • Payment of principal and interest is guaranteed by the U.S. government, so they are considered among the highest quality investments available. • They typically are the benchmark against which other debt securities are measured.	***Features*** • Debt securities by state and local governments and their agencies in order to raise capital. • Coupon municipal bonds pay interest semi-annually and promise to return your principal when they mature. • Two types of municipal bonds: general obligation (GO) bonds, which are issued to raise immediate capital to cover expenses and supported by the taxing power of the issuer and revenue bonds, which are issued to fund infrastructure projects and are supported by the income generated by those projects.	***Features*** • Issued by U.S. government agencies as well as some government sponsored entities (GSE), which are private corporations that hold government charters granted because their activities are deemed important to public policy. • They not fully guaranteed in the same way as U.S. Treasury and municipal bonds. • Among the most active agency issuers are the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Student Loan Marketing Association (Sallie Mae), and the Federal Home Loan Banks.	***Features:*** • These are backed by pools of mortgages issued by the Government National Mortgage Association (GNMA), a federally owned corporation backed by the full faith and credit of the United States government. • They are mortgages purchased by banks and other lending institutions from the government and resold in shares to investors. Most of these mortgages are 30-year, single family home, fixed-rate loans. Payments of principal and interest that homeowners make every month to pay off their mortgages are passed through to GNMA investors. • Higher returns, higher risk than treasuries.	***Features*** • These are debt obligations issued by corporations as an alternative to issuing stock when raising capital. • The company promises to repay the loan at a specified date and makes semi-annual interest payments to the investor at a fixed rate. • In terms of repayment risk, since bonds are senior to stock, the interest and principal are paid to bondholders before dividends are paid to stockholders. • For investors searching for a higher yield, they offer a more aggressive fixed-income choice. Higher returns and higher risk, depending on the company's financial stability.
Benefits • Safety –backed by the full faith and credit of the U.S. government. • Guaranteed return of principal - if held until maturity, guaranteed to receive original investment. • Guaranteed with fixed rate - with fixed rate Treasuries, the timing and amount of interest payments will be predictable. Investors receive a steady income of interest payments (on a semi-annual basis) for those holding Treasury notes and bonds. • Tax advantages – the interest of Treasuries is exempt from state and local taxes but is federally taxable. • Flexibility - various types of Treasury issues and maturity dates investors can select from. • Liquidity – since there is an active secondary market for Treasuries, it enables investors to sell Treasury securities before maturity.	***Benefits*** • Tax advantage - any interest paid is free from being taxed on a federal level and depending on the issuing municipality, the interest may also be free from being taxed at the state and local levels. • Safety –the default of these types of bonds is very rare - no state has defaulted on a bond since the Depression, and only four cities/counties have defaulted on a guaranteed bond in the last 40 years. A few minor bond defaults typically occur each year, usually on debt issued by quasi-governmental entities for projects that did not materialize, such as for sewers or for housing developments that never were occupied.	***Benefits*** • Higher Returns – they have the potential for higher returns than Treasuries. • Safety – They provide investors the opportunity to gain a higher return than Treasury bonds, while sacrificing very little in terms of risk or liquidity.	***Benefits:*** • Security – since GNMA is a government-owned corporation, the bonds are backed by the full faith and credit of the U.S. government. • Guaranteed monthly payments - guarantees that each month, a payment of the principal and interest owed by homeowners on the mortgages underlying your security is made, whether or not homeowners meet their obligations. Payment amounts can vary and if homeowners decide to pay more than their required amounts, investors may receive larger monthly payments due to the additional principal being returned. As principal is repaid, future payment amounts will decrease. If mortgages are prepaid in full, investors receive back part of original investment which may have to be reinvested at a lower rate. • Higher yields - historically, they have provided yields that are higher than those for Treasuries of comparable maturities. Determining the exact yields on GNMAs is difficult due to the effect of prepayments on the amount of monthly income investors receive, and therefore, stated yields on GNMAs are always approximate. • Liquidity - they are the most widely held and traded mortgage-backed security and investors are able to GNMA holdings before maturity.	***Benefits:*** • Higher yields - they usually offer higher yields than Treasury bonds of similar maturities and may be appropriate for investors who are willing to trade off some security for potentially higher returns. Usually, bonds with higher yields have lower credit ratings. • Call feature - some are callable, which limits ability to lock in the high yield for the full term. • Diversification – Since there are so many different types of corporate bonds, a portfolio can be structured according to one's particular investment strategy. • Flexibility - Choose from a wide range of corporate bonds—from specific industries to particular coupons, maturities and ratings. • Liquidity - If you need cash you can sell your bonds any time prior to maturity in the secondary market. Some bonds trade more actively than others and may be easier to sell. Because bond prices and interest rates move in opposite directions, you may receive more or less than your original investment if you sell. Of course, if you hold your corporate bond until maturity, the issuer promises to pay back the full face value.

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