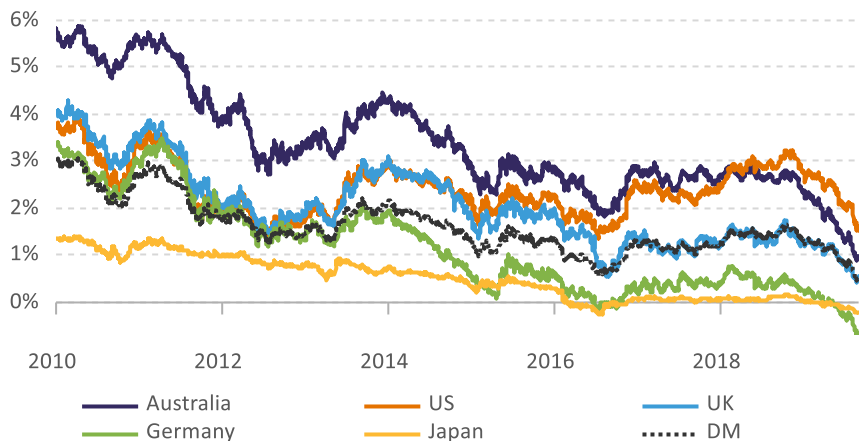


Global Bond Yields at or near all-time lows

10 Year Government Bond Yields



Source: Refinitiv Datastream



<https://app.hedgeye.com>

Defensiveness has reduced as yields have fallen

Period	Australia			International		
	Starting bond yield	ASX300 return	Ausbond Comp return	Starting bond yield	MSCI World H return	BarCap Global Agg H return
Sep2000-Mar2003	6.3%	-15.0%	22.8%	5.7%	-46.3%	28.9%
Nov2007-Mar2009	6.2%	-50.8%	15.5%	4.5%	-33.3%	10.6%
Apr2010-Jun2010	5.7%	-11.8%	3.6%	3.7%	-5.1%	3.4%
May2011-Sep2011	5.4%	-17.1%	6.6%	3.3%	-9.5%	6.0%
May2013-Jun2013	3.4%	-7.6%	-1.1%	2.1%	10.7%	-2.5%
Aug2015-Feb2016	2.8%	-14.1%	2.9%	2.2%	-9.0%	4.1%
Jan2018-Mar2018	2.8%	-5.0%	0.9%	2.7%	0.7%	-0.1%
Sep2018-Dec2018	2.6%	-10.8%	1.8%	3.1%	-10.6%	1.3%

Portfolio Implications

Traditional fixed income exposures can't do all the heavy lifting

Potential avenues to improve defensiveness:

Within Fixed Income

- Duration targeting
- Tailored country exposures
- Active vs passive management

Elsewhere in the Portfolio

- Foreign currency
- Equity option programs
- Asset allocation