

Still a safe haven? Bonds and your portfolio in a rising rate world

By Perpetual Private Insights

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For generations, investors have turned to government bonds for a sense of stability. They're seen as a source of predictable income and a safe haven in a complicated world – especially in the case of highly rated bonds like Australia's. That's why government bonds have often 'played

defense' in the portfolios of retirees and pre-retirees and of not-for-profit organisations that need some capital stability and the ability to generate income to fund operations.

Perpetual Private's investment team has prepared a comprehensive paper to explain the role bonds play in your portfolio. You can download the paper – or read our concise view below:

[Download the paper](#)

Whilst rising rates have pushed down bond returns, they are, in some ways a self-correcting mechanism. “Right now, Central Bankers are walking a tightrope,” says Perpetual Private Investment Director, Emily Barlow. “They’re raising rates to stop inflation getting entrenched into economies. But they don’t want to raise so fast and so high that they kill growth altogether. Once they see inflation coming under control, it’s likely they’ll ease rates again, which will be good for bonds. And in the meantime, investors who hold bonds for income will have captured the benefits of higher rates.” Recently, losses in bond markets and the threat of rising interest rates have raised doubts about the value of bond holdings.

Bond markets are heavily influenced by macroeconomic factors, more so than equity markets. In [this paper](#) we look at how bond markets have got to where they are and how bonds can be expected to perform in different market conditions; from high growth environments with accelerating inflation like we have now, through to recessionary environments with growth contracting. We also explore the benefits of active management for mitigating risk and offer our insights for the road ahead and how we’re preparing clients’ portfolios.

Whether you’re an individual or a not-for-profit organisation, the choice to invest in bonds will always come down to your own needs. History suggests they are good for investors who want predictable and stable income and are a useful counterweight to equities in a diversified portfolio. A chat to a Perpetual Private financial adviser can help you assess whether bond investing will work for you and what strategy to take when managing your bond holdings.

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