

A Case Study on Avenue's Bond Portfolio Holdings

In a rising interest rate environment there are times like the last nine months when it seems like nothing is happening. We have had a few questions from clients about why we own bonds at all. We believe it is helpful to lay out Avenue's bond portfolio, so you can see all the individual bonds and you can better understand the return profile of the entire portfolio.

In the chart below of Avenue's bond portfolio we can see each bond we own by issuer, (who we are lending the money to) the term to maturity on the X axis and the current yield on the Y axis. If left untouched this portfolio will compound at 3.5% over the next five years or so.

However, as the current bonds mature and are reinvested into this rising interest rate environment, the future bond portfolio will be invested at higher interest rates. Avenue's bond portfolio, going forward will have a return greater than 3.5%. We are not going to predict at exactly what level interest rates will top out for this cycle. This is simply an exercise to help present Avenue's bond portfolio in a different way.

