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BNY Mellon Investment Management “Fixed income. Not fixed thinking” National Research Study Finds Majority of Americans Surveyed Do Not Understand Fixed Income

Only 8% Accurately Define Fixed Income Investments; Nearly Half Have No Fixed Income Investments

NEW YORK, NEW YORK, October 21, 2019 — A new research study released today from BNY Mellon Investment Management, one of the largest asset managers in the world with $1.9 trillion as of September 30, 2019[1], and the world’s third-largest fixed income manager by assets[2], revealed the majority of Americans surveyed have limited understanding about fixed income investing regardless of age, income, education level, and other demographics. This lack of awareness ranged from the definition of bond investing, to different fixed income solutions, to the role fixed income plays in retirement planning, and the understanding of risk versus other asset classes.

For example, only 8%[3] of those surveyed were able to identify the definition of fixed income investments[4], with over one-third (36%) choosing “I don’t know.” While survey participants expressed uncertainty about the term, however, two-thirds (67%) believe that investing in equities “requires more knowledge and skill” than fixed income investing.

“Fixed income provides some of the most versatile and vibrant investment options available and yet there exists around it a sense of confusion and misperception. Chief among these is that fixed income plays an important role *solely* in the immediate run up to retirement, or during the decumulation phase when investors start to draw money from their investment nest eggs,” said Andy Provencher, Head of North American Distribution, BNY Mellon Investment Management.

Mr. Provencher added: “As the Baby Boomer generation enters its retirement years—and these investors shift from the accumulation to decumulation phase of their lives—a meaningful understanding of fixed income solutions will of course be vital. Beyond its role in ‘de-risking’ portfolios in preparation for retirement, fixed income can play a crucial part in an investor’s portfolio at any age. This includes the mitigation of equity market volatility as a millennial saves for a house deposit, or by helping investors make an impact in their local communities through investing in their state’s municipal bond issues. It’s imperative we open investors’ eyes to the true potential of fixed income and challenge their ‘fixed thinking.’”

BNY Mellon Investment Management’s “Fixed income. Not fixed thinking” national research study surveyed 2,007 Americans age 18 or older. The study examined respondents’ knowledge, attitudes, and behaviors about fixed income assets and how they are shaped by their risk

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[1] BNY Mellon earnings as of September 30, 2019

[2] As of 12-31-2018, *Pension & Investments*.

[3] Unless explicitly noted, study question findings remained generally consistent (<5%) across household income, retirement savings, education level, geography, and other criteria and demographic splits.

[4] “An investment in corporate and/or government bonds that pays investors periodic interest payments until their maturity dates.”

tolerance, past and present investing performance, and experience engaging with professional financial advisors. Complete research study findings are available at http://im.bnymellon.com/fixedincome.

Asset Classes? Role in Retirement? Unfixed in Minds of Investors

While the study found 39% of the total of those surveyed report having some portion of their investment portfolio allocated toward fixed income assets[5], they remain unclear about various fixed income solutions and how bond investing works.

For example, half (50%) of those surveyed reported believing the best way to maximize the value of fixed income in one's investment portfolio is to own individual bonds rather than purchase a mutual fund investing in bonds, nearly half (44%) believe investors must hold bonds to maturity, and 43% believe fixed income returns cannot approach equity fund returns.

The study also revealed lack of knowledge about the variety of fixed income solutions available to investors. Indeed, nearly half (44%) of those who reported having no allocation toward fixed income gave the reason "lack of understanding of different fixed income classes."

- More than half of those surveyed reported they "do not understand at all" global bonds or corporate bonds (63% and 51%, respectively) and more than half (54%[6]) admitted they do not understand the meaning of high-yield bonds, aka "junk bonds"; and
- Nearly half (44%) believe municipal bonds are primarily intended only for high-net-worth or ultra-high-net-worth individuals.

Likewise, those surveyed expressed uncertainty around the role fixed income allocations have in retirement planning.

- 28% believe fixed income investing is intended *only* for retirement planning; and
- Nearly half (40%) express they do not know at what point in time the average investor should consider adding fixed income to their investment portfolios.

"The credit markets are complex, often inefficient and not easily understood. Fixed income asset managers with deep investment expertise in U.S. and foreign credit markets can help demystify this asset class for investors and help them target inefficiencies that may be present," said Gautam Khanna, Senior Portfolio Manager at BNY Mellon investment firm Insight Investment and lead Portfolio Manager of BNY Mellon Core Plus Fund (Class I: DCPIX). "Fixed income exposure generally has two primary objectives within an investment portfolio: first, to achieve a high degree of reliable income derived from quality sources; and, second, access to ballast or diversification from equity volatility."

BNY Mellon Investment Management "Fixed income. Not fixed thinking" National Research Study Methodology

ENGINE Insights CARAVAN Surveys, on behalf of BNY Mellon Investment Management, fielded the "Fixed income. Not fixed thinking" national survey from July 8 to14, 2019. This online

[5] Not all survey participants reported having investments outside the value of their primary residence; of those with an investment portfolio 60% reported having some fixed income allocation.

[6] This figure varied significantly depending upon household income, with 60% of those with less than $50K vs. 43% of those with $50K or more.

omnibus study was conducted among a sample of 2,007 adults comprised of 1,003 men and 1,004 women 18 years of age and older. The sample captured a broad range of respondents by age, gender, geographic location, education level, ethnicity, and household wealth. The survey sample of 2,007 has ±2.19% Margin of Error (MoE) at 95% confidence at the "All Respondent" level and ±3.09% to 4.4% MoE at 95% confidence for demographic, behavioral, attitudinal and other subgroups. ENGINE Insights is not affiliated with BNY Mellon.

About BNY Mellon Investment Management
BNY Mellon Investment Management is a leading investment manager and one of the top U.S. wealth managers, with US $1.9 trillion in assets under management as of September 30, 2019. Through an investor-first approach, the firm brings to clients the best of both worlds: specialist expertise from eight world-class investment managers offering solutions across every major asset class, backed by the strength, stability, and global presence of BNY Mellon, one of the world's most trusted investment partners.

BNY Mellon Investment Management is a division of BNY Mellon, which has US $35.8 trillion in assets under custody and/or administration as of September 30, 2019. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of the Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

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