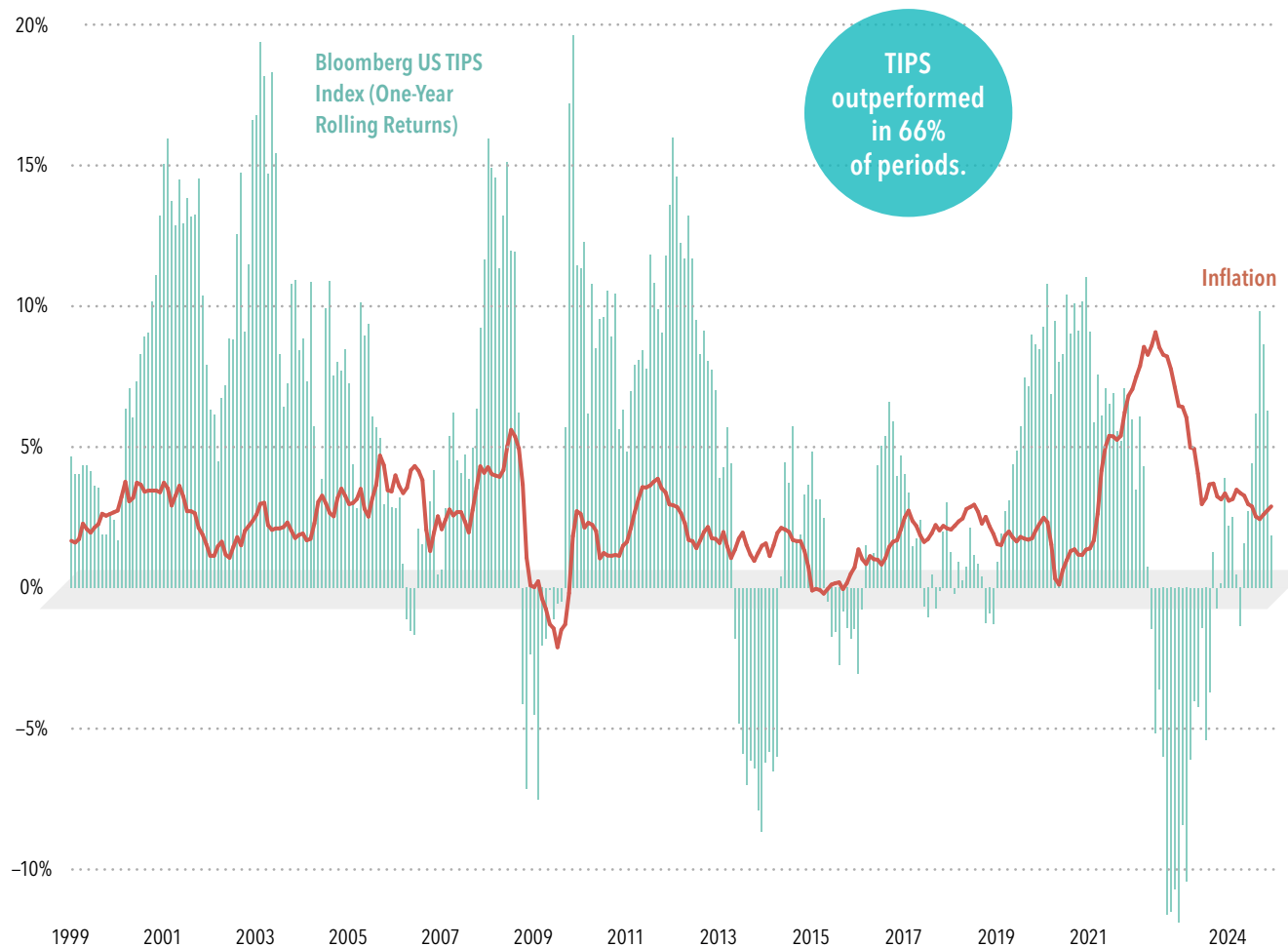


TIPS Can Help Investors Hedge Inflation

TREASURY INFLATION-PROTECTED SECURITIES VS. INFLATION 1999–2024



Some investors may want to hedge against unexpected spikes in inflation. Treasury Inflation-Protected Securities (TIPS) can be a useful tool for achieving this goal.

- In simple terms, the principal value of a TIPS bond goes up when inflation rises (and vice versa). However, like all bonds, TIPS can be affected by changes in interest rates.
- When rates rise, the prices of existing bonds fall as new bonds issued with higher rates become more attractive. That means the total return of a TIPS bond can be higher or lower than the annual inflation adjustment.
- Still, the chart shows that TIPS outperformed inflation in 66% of the rolling 12-month periods from 1999 to 2024.

For investors seeking to protect their purchasing power as inflation rises, TIPS can be an effective option.

TIPS CAN HELP INVESTORS HEDGE INFLATION

Past performance is no guarantee of future results. Investing risks include loss of principal and fluctuating value. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

In USD. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the consumer price index. When a TIPS matures, you are paid the adjusted principal or original principal, whichever is greater. TIPS pay interest twice a year, at a fixed rate. The rate is applied to the adjusted principal; that means interest payments, like the principal, rise with inflation and fall with deflation.

Rolling returns measure the return for each 12-month period (January to January, February to February, March to March, etc.) between the start and end dates.

Bloomberg US TIPS Index, January 1999 through December 2024. Bloomberg data provided by Bloomberg.

Inflation based on nonseasonally adjusted percentage change in the consumer price index for all urban consumers (CPI-U). Source: US Bureau of Labor Statistics.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates, and they are subject to various other risks, including changes in credit quality, liquidity, prepayments, and other factors. Inflation-protected securities may react differently from other debt securities to changes in interest rates.

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