William Blair

Private Wealth Management

Fixed-Income Capabilities



As an investor, it is critical to implement an asset allocation strategy that meets your investment goals across all market cycles. A key component of any asset allocation decision is fixed-income investments and cash-savings vehicles that can help preserve capital, earn a reasonable rate of return, and reduce risk. William Blair provides customized fixed-income strategies to help meet your investment goals, tax situations, cash flow, and liquidity needs across all market cycles.

Our Services

William Blair's wealth advisors work with our experienced fixed income team to construct and review portfolios according to each client's comprehensive wealth management plan, risk tolerances, cash flow, and liquidity needs. We actively analyze fixed-income investments to help minimize risk while seeking opportunities along the yield curve to incrementally improve returns.

Investing in Today's Markets

Given today's rising interest rate environment and market volatility, our experienced team can provide trusted guidance when it comes to investing in fixed-income securities.

While rising interest rates have had a substantial influence on bond markets, the appropriate balance of stocks and bonds, as well as complementary investments such as alternative assets, remains a key asset-allocation decision for long-term investors.

Additionally, we work with clients looking to include a portion of their investments in alternative assets or cash-savings instruments.

Fixed-Income Strategies

At William Blair, we view fixed-income investments as a part of an overall financial plan. Our fixed-income strategies emphasize preservation of capital and income generation across all market conditions. Fixed-income investments offer clients:

- A strategy to complement equity holdings
- Capital preservation
- Potential to reduce interest rate and reinvestment risk
- Instruments to match financial objectives, time horizon, and risk tolerance
- A predictable, steady stream of income
- Diversification by geography, maturity, sector, and credit quality
- Tax-advantaged income for U.S. government and municipal bonds
- Liquidity

Fixed-Income Securities

In constructing portfolios for our clients, we carefully analyze the credit and interest rate risks and opportunities of an array of fixed-income securities available to investors, making selections that best meet our clients' financial objectives and risk tolerance.

Municipal Bonds

Municipal bonds are debt instruments issued by states, cities, counties, and other government entities to fund capital investments such as roads, buildings, or fleets of vehicles. Interest earned from municipal bonds is generally exempt from federal income taxes and may be exempt from state and local taxes depending on the issuing state or town. Municipal bonds include:

- General obligation (GO) bonds are secured by the full faith and credit of the issuer, which has the power to tax residents to pay bondholders.
- Revenue bonds are backed by revenues from a specific project or source, such as water, sewer, power, or toll highways.
- Pre-refunded bonds, backed by Treasury securities, allow the municipal issuer to refund its debt long before the first call date, thus providing a cost savings on borrowing.
- Zero-coupon muni bonds are bought at a discount to face value because they do not make any interest or coupon payments. The full value of the bond plus accrued interest are paid at maturity. Since investors can lock in a specific rate of return with zero-coupon bonds, investors avoid having to reinvest the capital until the bond matures, and thus reduce reinvestment risk.
- Taxable municipals are issued by local governments, such as a city, county, or related agency, to finance projects that do not meet the IRS requirement for public-use bonds. They are usually used for projects that do not directly benefit the general public, such as financing state and local pension funds, which is why they are not tax exempt.

Fixed-Income Securities (continued)

U.S. Treasuries

U.S. Treasuries are debt securities issued by the U.S. Treasury Department on behalf of the federal government. They carry the full faith and credit of the U.S. government. Interest earned from Treasuries is exempt from state and local taxes. Treasury securities are issued in varying maturities:

- T-bills, short-term securities that mature in a few days to 52 weeks.
- T-notes, intermediate-term securities that mature within 10 years.
- T-bonds, long-term securities that usually mature in 30 years, paying interest every six months.
- Treasury Inflation-Protected Securities (TIPS) are designed to adjust both the holder's initial investment (principal) and the interest paid every six months. The adjustment reflects changes in the Consumer Price Index (CPI), a widely used indicator of inflation. TIPS are available in 5-, 10- or 30-year maturities.



Fixed-Income Securities (continued)

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CDs are funds deposited at a financial institution that provide a set rate of interest plus the original deposit at maturity. Maturities range from six months to five years or more. CDs are insured by the FDIC up to $250,000.

U.S. Government Agency Bonds

Government agency bonds are securities issued or guaranteed by federal government-sponsored enterprises (GSEs), quasi-governmental entities that lend money to specific sectors of the economy, such as mortgage issuers Fannie Mae and Freddie Mac.

Asset- and Mortgage-Backed Securities

Asset- and mortgage-backed securities are financial instruments that consist of a bundle of home loans issued by a bank. Investors receive periodic payments similar to bond coupon payments.

Corporate Bonds

Corporate bonds are issued by companies to raise financing for a variety of reasons such as operations, M&A, or growth initiatives. Corporations must pay their bond holders before their stockholders or they may be considered in default.

High-yield corporate bonds offer higher interest rates because of their higher risk of default. Investment-grade corporate bonds, on the other hand, are viewed as less risky and issued at lower yields. When companies with a greater estimated default risk issue bonds, they may be unable to obtain an investment-grade bond credit rating from Moody's, S&P, or Fitch.

Fixed-Income Investments

William Blair also provides savings and financial strategies for those looking to include a portion of their investments in alternative assets or cash-savings instruments. There are a variety of vehicles to consider that help investors maintain adequate savings while earning a return. They include:

Convertible Bonds

Convertible bonds are fixed-income corporate debt securities that pay regular interest but can be converted into common stock shares of the same issuer. Since convertible bonds are a hybrid security, the price of a convertible bond is especially sensitive to changes in interest rates, the price of the underlying stock, and the credit rating of the issuer.

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Preferred stocks are a top class of stocks offered by companies that provide investors more benefits than common stock, including higher dividend payments and a higher claim to assets in the event of liquidation. Like convertible bonds, preferred stocks have characteristics of both bonds and common stocks.

Fixed-Income Investments (continued)

Bond Mutual Funds and ETFs

Bond mutual funds and ETFs generally are pooled investments in debt instruments issued by governments and/or corporations. Most bond funds are designed to pay interest income in the form of dividends. Municipal and tax-exempt funds pay interest that may be exempt from federal and in certain instances, state and local tax. Unlike individual bonds, which usually make semiannual interest payments, bond funds usually make monthly distributions paid directly to the investor or reinvested into the fund to compound returns.

Money Market Mutual Funds

Money market mutual funds are investments in short-term, fixed-income securities that mature in less than one year. Like other mutual funds, they allow investors to participate in a diversified portfolio.



Our Approach

William Blair has the research, resources, and expertise to identify opportunities and risks associated with fixed-income investing in a rising interest rate environment.

How We Manage Fixed-Income Investments

We begin with a conversation to understand your goals and risk tolerance. Based on that conversation, we construct a portfolio using macro analysis, sector/class allocation, and credit analysis. In that process, we consider the security's duration (maturity, yield, coupon, call features), yield curve, and credit agency ratings in selecting the optimal investments to meet your goals.



A laddered bond portfolio is one example of a fixed-income strategy that has the potential to reduce interest rate risk. We construct it by purchasing bonds with staggered sequential maturities. When one bond matures, the principal may be used to purchase another bond, thus laddering in step-by-step with a consistent roll-off of maturities.

This investment strategy aims to preserve capital and reduce interest rate and reinvestment risk, while allowing for liquidity if necessary.

Serving Clients

Our experienced and dedicated fixed-income specialists work with William Blair wealth advisors and their clients to develop an investment strategy that suits our clients' specific needs.



Contact

For more information, please contact
your William Blair wealth advisor or email



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