

Changes in interest rates could have a negative or positive impact on bond valuations. We believe the prudent approach is to be dynamic when managing interest rate risk, that is; protecting against it during times of rising rates, but also embracing it in more favorable periods. With our ability to invest globally, one tool we can use to manage interest rate risk is geographic diversification, for example by avoiding exposures in economies that have unfavorable interest rate environments. We can also manage the portfolio's sensitivity to interest rate risk by utilizing security structures such as floating rate bonds, or by allocating to bond sectors that historically are less sensitive to interest rate movements.

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