

# Variability of Bond Returns

Annual Returns For Key Sectors  
1998 - 2007 Ranked in order of performance (best to worst)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Unhedged Foreign 18.44%	Emerging Markets 25.98%	Long Treasuries 20.27%	Inv. Grade Corporate 10.39%	Unhedged Foreign 22.37%	High Yield 28.97%	Unhedged Foreign 12.55%	Emerging Markets 11.86%	High Yield 11.85%	U.S. TIPS 11.63%
Long Treasuries 13.53%	T-bills 4.73%	Emerging Markets 15.66%	LBAG 8.43%	Long Treasuries 16.79%	Emerging Markets 28.82%	Emerging Markets 11.77%	Long Treasuries 6.50%	Emerging Markets 10.49%	Unhedged Foreign 11.03%
LBAG 8.70%	Short Treasuries 2.90%	U.S. TIPS 13.17%	Short Treasuries 8.39%	U.S. TIPS 16.57%	Unhedged Foreign 19.36%	High Yield 11.13%	Municipals 3.51%	Unhedged Foreign 8.16%	Long Treasuries 9.81%
Intermediate Treasuries 8.63%	U.S. TIPS 2.40%	Municipals 11.86%	Mortgages 8.22%	Emerging Markets 14.24%	U.S. TIPS 8.40%	U.S. TIPS 8.46%	T-bills 3.00%	Mortgages 5.22%	Intermediate Treasuries 8.83%
Inv. Grade Corporate 8.58%	High Yield 2.39%	LBAG 11.63%	Intermediate Treasuries 8.16%	Inv. Grade Corporate 10.52%	Inv. Grade Corporate 7.70%	Long Treasuries 7.70%	U.S. TIPS 2.84%	Municipals 4.84%	Short Treasuries 7.31%
Short Treasuries 7.02%	Mortgages 1.86%	Mortgages 11.16%	U.S. TIPS 7.90%	LBAG 10.26%	Municipals 5.31%	Inv. Grade Corporate 5.24%	High Yield 2.74%	T-bills 4.76%	LBAG 6.97%
Mortgages 6.97%	Intermediate Treasuries 0.41%	Intermediate Treasuries 10.27%	High Yield 5.28%	Municipals 9.60%	LBAG 4.10%	Mortgages 4.70%	Mortgages 2.61%	LBAG 4.33%	Mortgages 6.90%
Municipals 6.48%	LBAG -0.82%	Inv. Grade Corporate 9.35%	Municipals 5.13%	Intermediate Treasuries 9.28%	Mortgages 3.07%	Municipals 4.48%	LBAG 2.43%	Inv. Grade Corporate 4.26%	Emerging Markets 6.45%
T-bills 5.05%	Inv. Grade Corporate -1.96%	Short Treasuries 8.05%	Long Treasuries 4.21%	Mortgages 8.75%	Long Treasuries 2.48%	LBAG 4.34%	Inv. Grade Corporate 1.96%	Short Treasuries 3.93%	Inv. Grade Corporate 5.11%
U.S. TIPS 3.95%	Municipals -2.06%	T-bills 5.95%	T-bills 4.09%	Short Treasuries 5.87%	Intermediate Treasuries 2.11%	Intermediate Treasuries 2.02%	Short Treasuries 1.62%	Intermediate Treasuries 3.51%	T-bills 4.76%
High Yield 1.87%	Long Treasuries -8.74%	Unhedged Foreign -3.91%	Emerging Markets -0.79%	T-bills 1.70%	Short Treasuries 1.92%	T-bills 1.24%	Intermediate Treasuries 1.56%	Long Treasuries 1.85%	Municipals 3.36%
Emerging Markets -14.35%	Unhedged Foreign -8.83%	High Yield -5.86%	Unhedged Foreign -3.75%	High Yield -1.41%	T-bills 1.07%	Short Treasuries 0.91%	Unhedged Foreign -8.65%	U.S. TIPS 0.41%	High Yield 1.87%

Best  
↑  
↓  
Worst

## Index Descriptions

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**Emerging Markets** | represented by the JP Morgan Emerging Markets Bond Index covers total returns U.S. dollar government bonds of 31 foreign countries.

**High Yield** | represented by the Lehman Brothers U.S. Corporate High Yield Credit covering the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

**Intermediate Treasuries** | represented by the Lehman Brothers Treasury Intermediate Index representing public obligations of the US treasury with a maturity between 1 and 10 years (excluding Treasury Bills). Certain securities are specifically not included such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS. In addition STRIPS are excluded as this would result in double counting

**Investment Grade Corporate** | represented by the Lehman Brothers Corporate Index covering USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility and financial issuers. The index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

**LBAG** | the Lehman Aggregate Bond Index is measured as the U.S. Aggregate Index covering USD-denominated, investment-grade, as rated by Moody's Investors Service, Standard and Poor's or Fitch Investor's Service, fixed-rate, taxable bond market of SEC-registered securities with at least one year left to maturity and an outstanding par value of at least 100 million.

**Long Treasuries** | represented by the Lehman Long Treasury Index represents all publicly issued U.S. Treasury securities with a maturity over 10 years. Certain securities are specifically not included such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS. In addition STRIPS are excluded as this would result in double counting.

**Mortgages** | represented by the Lehman Brothers Mortgage Index which tracks the performance of mortgage-backed pass through securities in the US.

**Municipals** | represented by the Lehman Brothers Municipal Bond Index covering investment grade, tax-exempt, and fixed-rate bonds with maturities greater than two years.

**Short Treasuries** | represented by the Lehman Brothers 1-3 year Treasury Index. Certain securities are specifically not included such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS. In addition STRIPS are excluded as this would result in double counting.

**T-Bills** | represented by the Citi 3 Month T-Bill Index an index of 3 month treasury bills.

**Unhedged Foreign** | represented by the Lehman Brothers Global Aggregate Ex-US Index tracks an international basket of bonds that contains 65% government, 14% corporate, 13% agency, and 8% mortgage-related bonds.

**US Tips** | is represented by the Lehman Brothers Real Tips Index consisting of inflation-protected securities issued by the U.S. Treasury.

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**Index returns do not reflect the deductions of fees, trading costs or other expenses. The Index is referred to for informational purposes only: the composition of each Index is different from the composition of the accounts managed by the investment manager. Investors may not make direct investments into any index. Past performance may not be indicative of future results.**

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