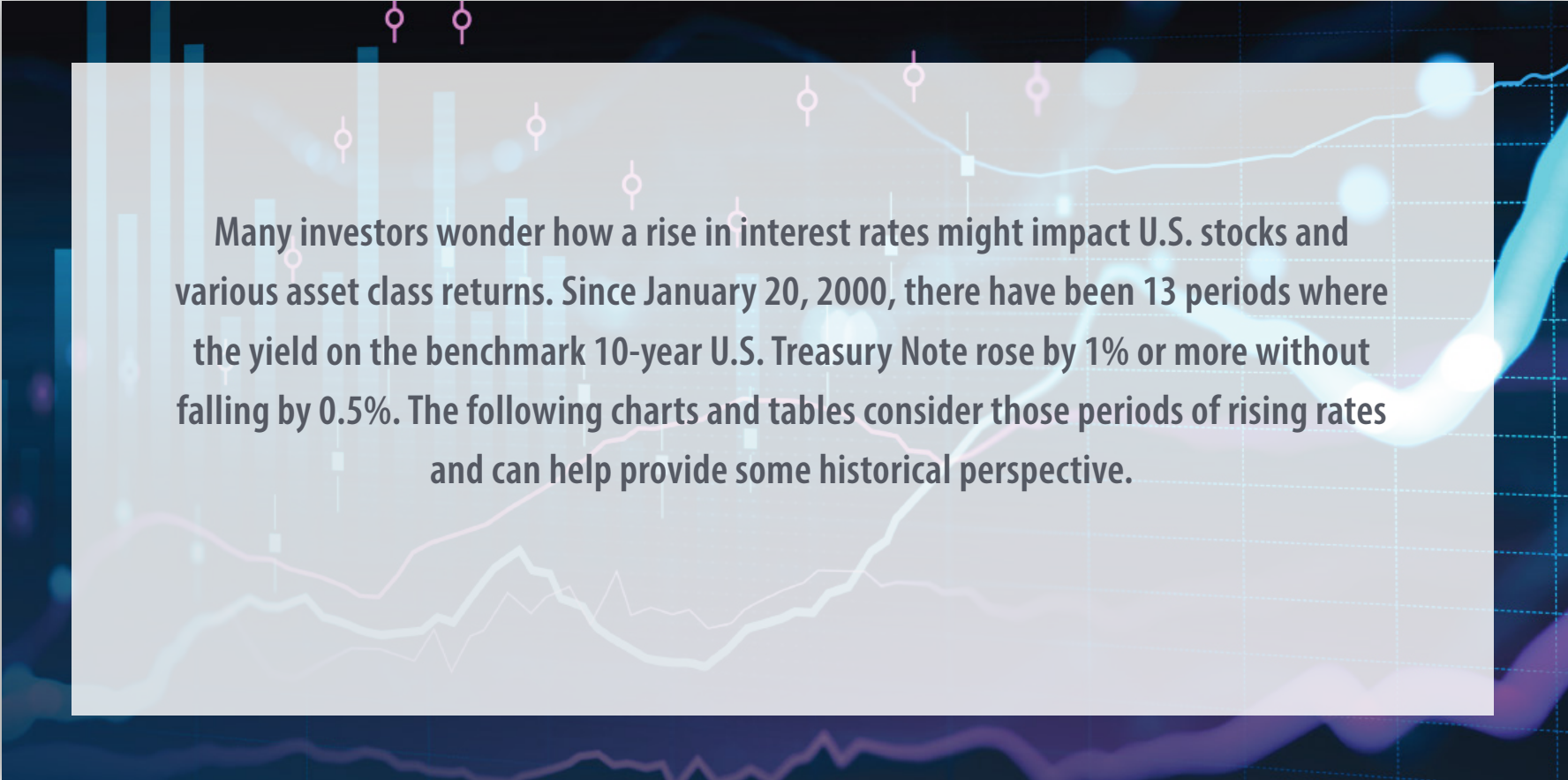




First Trust

CLIENT RESOURCE KIT  
**RISING RATES**

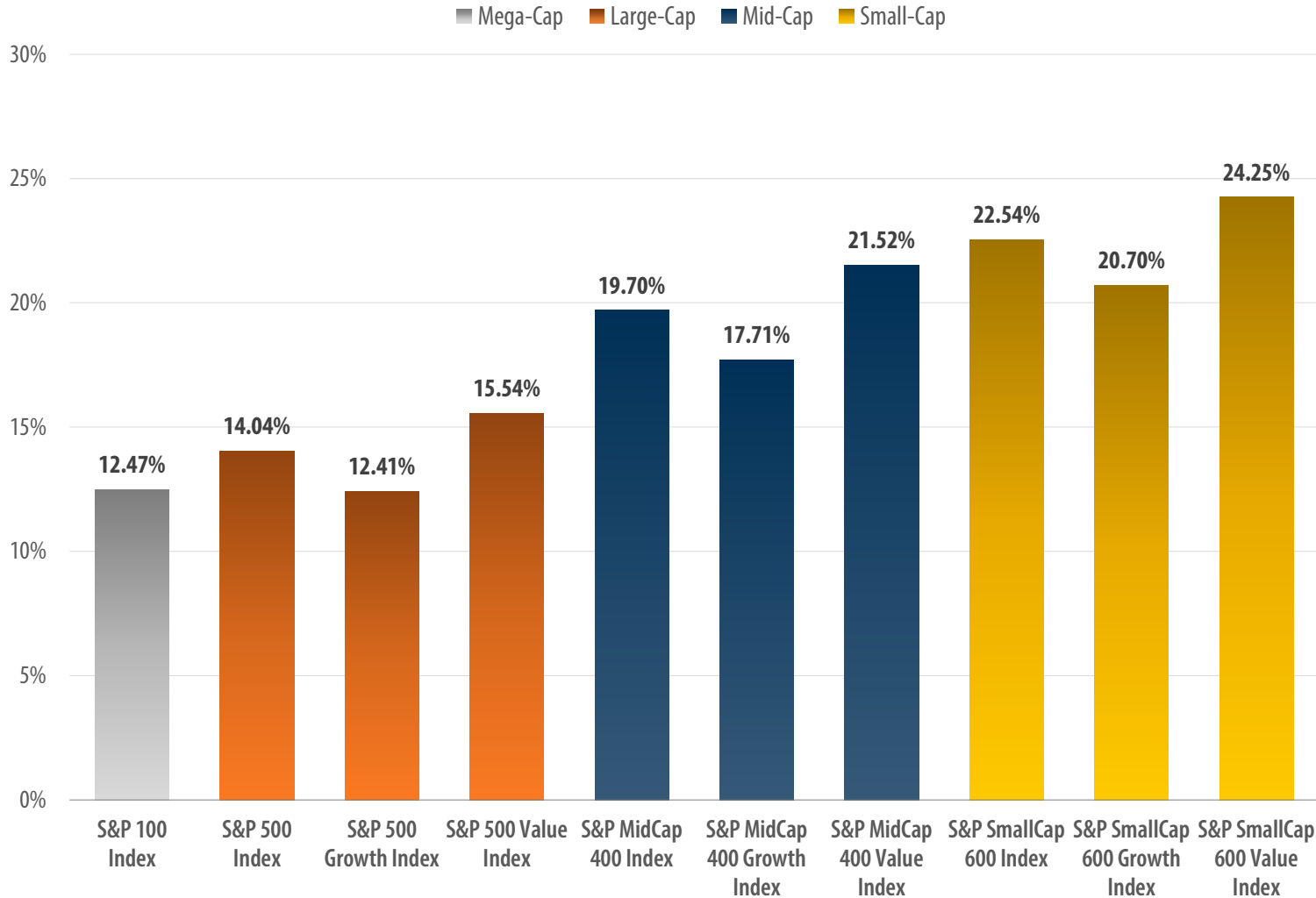
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Many investors wonder how a rise in interest rates might impact U.S. stocks and various asset class returns. Since January 20, 2000, there have been 13 periods where the yield on the benchmark 10-year U.S. Treasury Note rose by 1% or more without falling by 0.5%. The following charts and tables consider those periods of rising rates and can help provide some historical perspective.

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## AVERAGE ANNUAL TOTAL RETURN DURING RISING RATE PERIODS

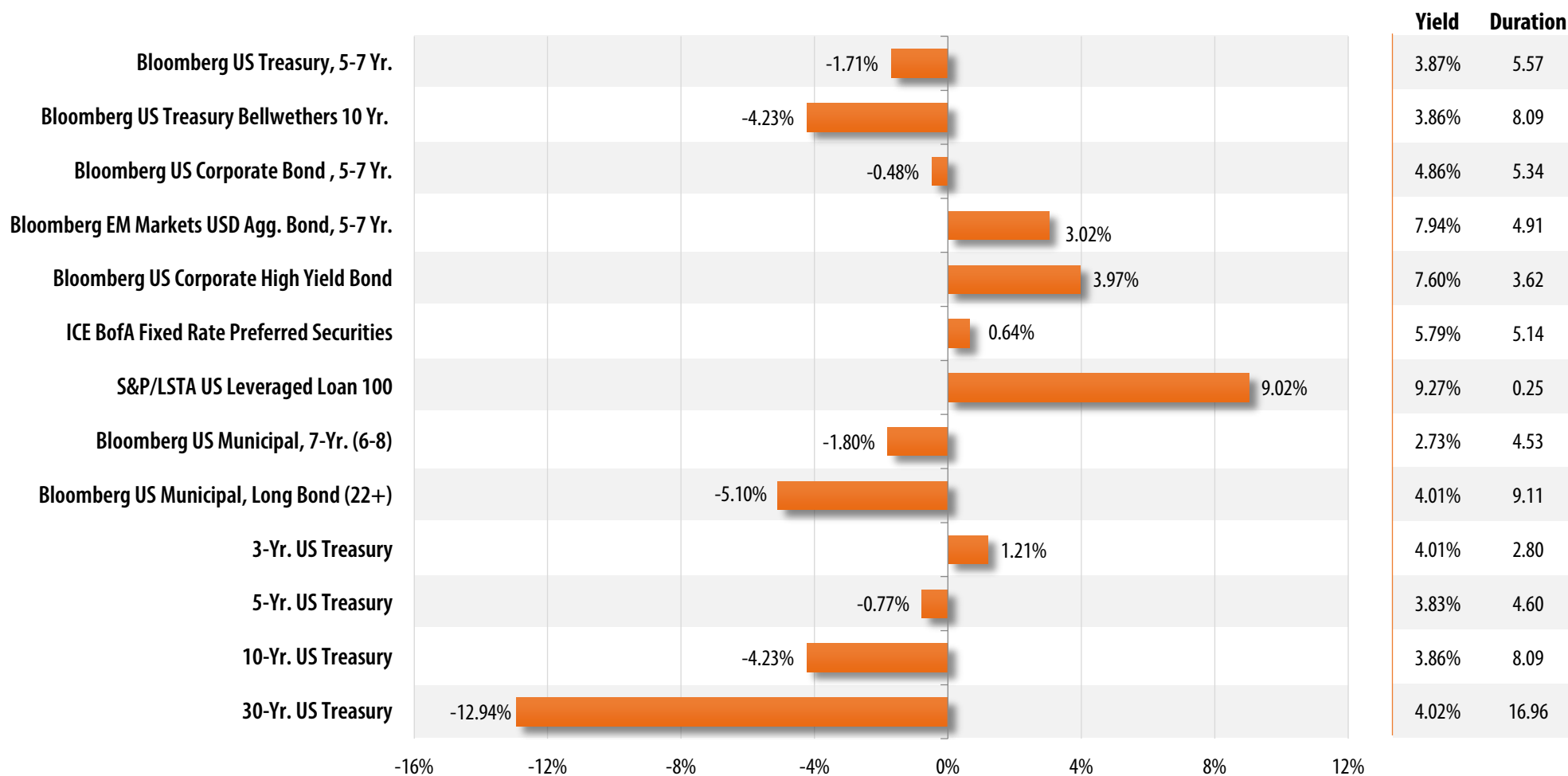


Rising Rate Period	Change In Rates
11/7/01 – 4/1/02	1.25%
6/10/03 – 9/2/03	1.41%
3/8/04 – 6/14/04	1.10%
6/1/05 – 6/28/06	1.36%
12/18/08 – 6/10/09	1.87%
8/31/10 – 2/8/11	1.27%
7/24/12 – 12/31/13	1.64%
7/5/16 – 3/13/17	1.25%
9/5/17 – 11/8/18	1.18%
8/4/20 – 3/31/21	1.23%
8/2/21 – 6/14/22	2.30%
7/28/22 – 10/24/22	1.57%
4/5/23 – 10/19/23	1.68%

**Past performance is not a guarantee of future results.** Source: Bloomberg. Data is daily from 1/20/2000 - 12/29/2023. For illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. The S&P Indexes are unmanaged, capitalization-weighted indices of stocks used to measure U.S. stock market performance and cannot be purchased directly by investors. The **S&P 500 Index** comprises 500 companies used to measure large-cap U.S. stock market performance. The **S&P 100 Index** is a sub-set of the S&P 500 and comprises 100 major blue chip stocks from a variety of industries. The **S&P MidCap 400 Index** tracks the mid-range sector of the U.S. stock market. The **S&P SmallCap 600 Index** tracks U.S. stocks with a small market capitalization. Value indices measure stocks using three factors: the ratios of book value, earnings, and sales to price. Growth indices measure stocks using three factors: sales growth, the ratio of earnings change to price, and momentum.

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## HYPOTHETICAL TOTAL RETURNS FOR 1-YEAR PERIOD



**Past performance is not a guarantee of future results.** Source: Bloomberg, ICE BofA, S&P LSTA. Data as of 12/29/2023. The table illustrates hypothetical examples and does not represent the return on any particular investment. Effective duration is used for the preferred index and modified adjusted duration for all others. Duration is a measure of a bond's sensitivity to interest rate changes that reflects the change in a bond's price given a change in yield. Given that senior loans typically pay a floating rate of interest, they tend to have an effective duration of approximately zero. As such, we estimate the duration for senior loans to be approximately 0.25 years. **Bloomberg US Treasury, 5-7 Year Index** - Measures USD-denominated, fixed-rate, nominal debt issued by the US Treasury with 5-6.9999 years to maturity. **Bloomberg US Treasury Bellwethers 10 Yr. Index** - An unmanaged index representing the most recently issued U.S. Treasury bonds with 10 years' maturity. **Bloomberg US Corporate Bond Index** - Measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Emerging Markets (EM) USD Aggregate Bond Index, 5-7 Year** - A flagship hard currency EM debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. **Bloomberg US Corporate High Yield Bond Index** - Measures the USD-denominated, high yield, fixed-rate corporate bond market. **ICE BofA Fixed Rate Preferred Securities Index** - Tracks the performance of fixed rate USD-denominated preferred securities issued in the US domestic market. **S&P/LSTA US Leveraged Loan 100 Index** - Designed to reflect the performance of the largest facilities in the leveraged loan market. **Bloomberg U.S. Municipal Index** - Covers the USD-denominated long-term tax-exempt bond market of the following maturities: 7 Year (6-8) and Long Bond (22+). **3-, 5-, 10- and 30-Year U.S. Treasuries** - The most recently issued U.S. Treasury bonds or notes of a particular maturity. Indexes are unmanaged and an investor cannot invest directly in an index.

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## HISTORICAL IMPACT OF RISING RATES ON U.S. EQUITY SECTORS

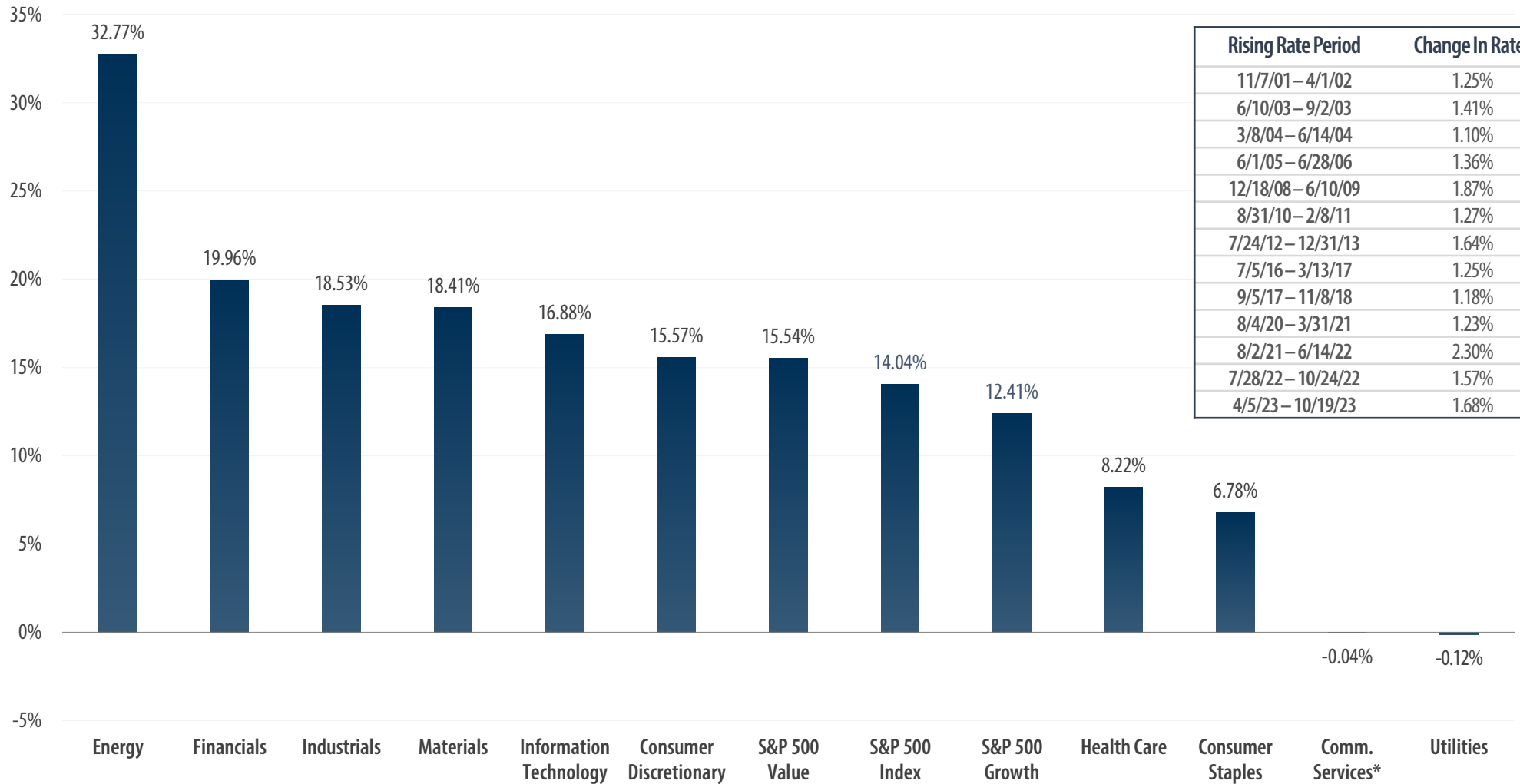
Rising Rate Period	Change In Rates	Consumer Staples	Utilities	Comm. Services*	Health Care	Information Technology	Financials	Industrials	Energy	Materials	Consumer Discretionary	S&P 500 Growth	S&P 500 Value	S&P 500 Index
11/7/01 – 4/1/02	1.25%	8.78%	0.90%	-14.47%	0.25%	-3.42%	5.58%	5.17%	11.78%	14.12%	9.99%	2.31%	4.15%	3.32%
6/10/03 – 9/2/03	1.41%	1.73%	-2.32%	-3.04%	-2.51%	11.91%	3.00%	7.00%	1.05%	11.19%	7.81%	4.34%	4.02%	4.18%
3/8/04 – 6/14/04	1.10%	0.50%	-4.19%	-5.44%	-1.74%	-0.10%	-5.45%	3.73%	0.94%	-4.45%	-1.08%	-0.24%	-2.65%	-1.47%
6/1/05 – 6/28/06	1.36%	4.26%	9.15%	11.54%	-4.00%	-3.64%	10.99%	9.06%	26.36%	12.12%	-0.20%	0.73%	10.97%	5.72%
12/18/08 – 6/10/09	1.87%	0.46%	-2.76%	-3.64%	-1.80%	26.95%	1.23%	4.54%	10.33%	21.62%	12.96%	12.49%	2.38%	7.56%
8/31/10 – 2/8/11	1.27%	12.70%	6.34%	14.94%	16.15%	33.91%	26.02%	34.22%	44.92%	33.09%	30.07%	27.86%	26.76%	27.28%
7/24/12 – 12/31/13	1.64%	29.03%	9.08%	14.08%	52.77%	32.90%	58.26%	55.70%	33.12%	39.37%	60.20%	39.76%	46.13%	42.60%
7/5/16 – 3/13/17	1.25%	1.54%	-1.55%	-4.08%	6.25%	28.15%	37.84%	18.03%	3.12%	16.38%	12.52%	13.97%	16.56%	15.36%
9/5/17 – 11/8/18	1.18%	6.48%	4.17%	3.58%	17.81%	25.99%	15.53%	8.95%	11.85%	4.20%	25.96%	21.15%	12.17%	16.78%
8/4/20 – 3/31/21	1.23%	9.79%	7.95%	25.10%	11.32%	17.66%	44.05%	37.98%	37.62%	31.24%	17.28%	16.56%	27.19%	21.46%
8/2/21 – 6/14/22	2.30%	-0.16%	2.05%	-32.44%	-7.91%	-17.43%	-13.25%	-13.40%	78.69%	-4.94%	-25.16%	-21.15%	-5.94%	-13.73%
7/28/22 – 10/24/22	1.57%	-5.55%	-12.37%	-10.47%	-2.55%	-10.88%	-1.34%	-3.67%	18.35%	-6.24%	-7.87%	-8.94%	-3.87%	-6.37%
4/5/23 – 10/19/23	1.68%	-7.98%	-14.00%	20.00%	-2.65%	14.44%	3.66%	2.83%	7.79%	-3.45%	8.23%	8.37%	2.14%	5.47%

**Past performance is not a guarantee of future results.** Source: Bloomberg. For illustrative purposes only and not indicative of any actual investment. Average total return for each period is shown. For each rising rate period, the returns are from the start of the period to the peak date of the 10-year yield before it fell at least 50 bps. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. The S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

\*Comm. Services = Communication Services. As of 9/28/18, the Global Industry Classification Standard (GICS) was reconstituted, and the Telecommunications Services sector was renamed Communication Services. GICS sector information for periods prior to 9/28/18 may not necessarily be comparable to the reconstituted sectors.

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## AVERAGE ANNUAL TOTAL RETURN DURING RISING RATE PERIODS



Rising Rate Period	Change In Rates
11/7/01 – 4/1/02	1.25%
6/10/03 – 9/2/03	1.41%
3/8/04 – 6/14/04	1.10%
6/1/05 – 6/28/06	1.36%
12/18/08 – 6/10/09	1.87%
8/31/10 – 2/8/11	1.27%
7/24/12 – 12/31/13	1.64%
7/5/16 – 3/13/17	1.25%
9/5/17 – 11/8/18	1.18%
8/4/20 – 3/31/21	1.23%
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7/28/22 – 10/24/22	1.57%
4/5/23 – 10/19/23	1.68%

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\*Comm. Services = Communication Services. As of 9/28/18, the Global Industry Classification Standard (GICS) was reconstituted, and the Telecommunications Services sector was renamed Communication Services. GICS sector information for periods prior to 9/28/18 may not necessarily be comparable to the reconstituted sectors.

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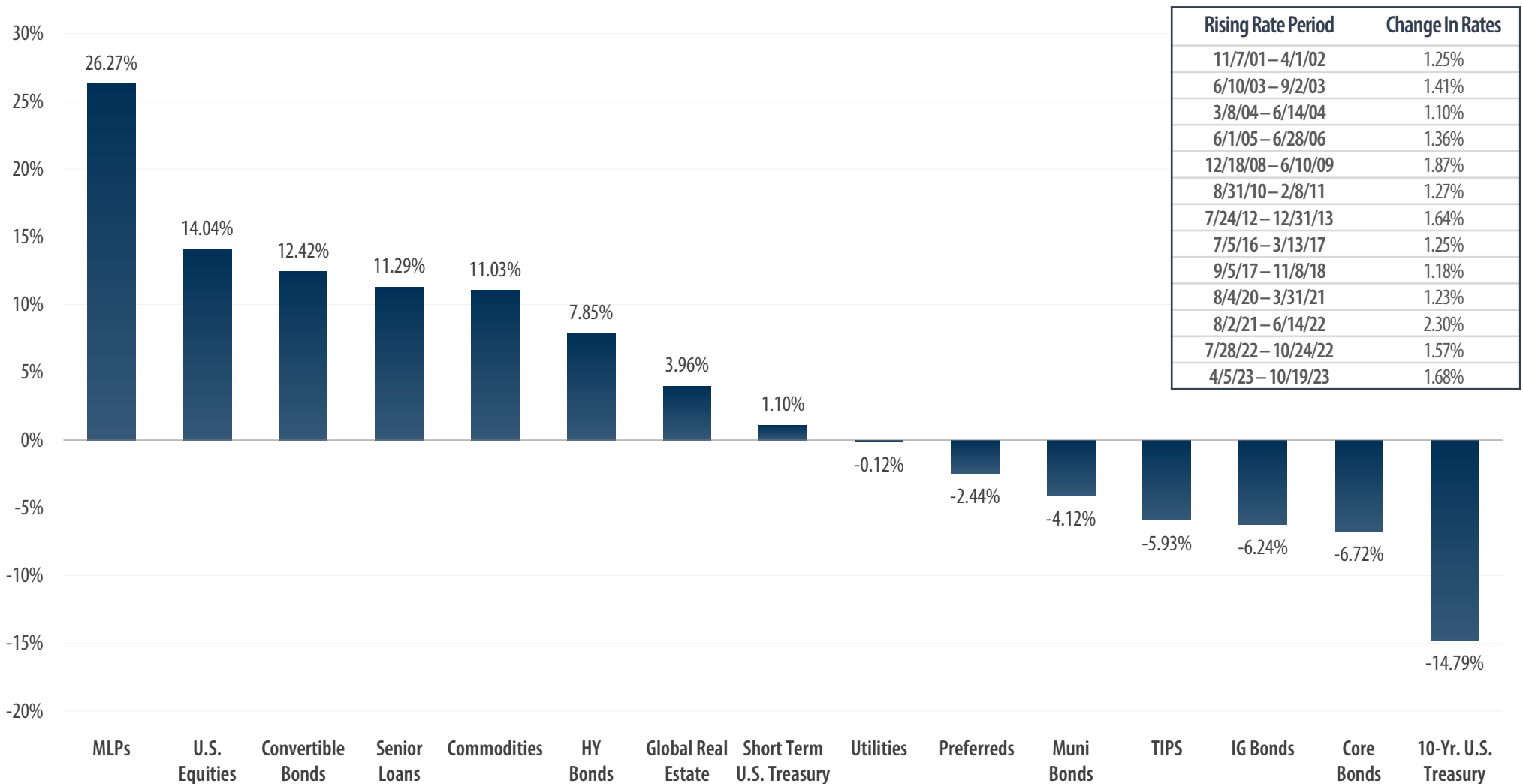
## HISTORICAL IMPACT OF RISING RATES ON VARIOUS ASSET CLASSES

Rising Rate Period	Change In Rates	U.S. Equities	Utilities	Commodities	Global Real Estate	MLPs	Convertible Bonds	Preferreds	IG Bonds	HY Bonds	Senior Loans	Core Bonds	Muni Bonds	Short Term U.S. Treas.	10-Yr. U.S. Treas.	TIPS
11/7/01 – 4/1/02	1.25%	3.32%	0.90%	14.75%	6.63%	N/A	2.00%	0.61%	-2.65%	N/A	N/A	-2.44%	-1.55%	0.63%	-7.48%	-2.68%
6/10/03 – 9/2/03	1.41%	4.18%	-2.32%	-1.24%	9.07%	N/A	1.75%	-1.44%	-5.34%	1.60%	N/A	-4.20%	-4.09%	0.15%	-9.53%	-5.97%
3/8/04 – 6/14/04	1.10%	-1.47%	-4.19%	0.91%	-5.48%	N/A	-3.19%	-4.95%	-4.96%	-2.06%	N/A	-4.03%	-4.49%	0.03%	-7.14%	-4.56%
6/1/05 – 6/28/06	1.36%	5.72%	9.15%	14.17%	25.54%	N/A	8.87%	0.99%	-2.53%	5.01%	N/A	-1.28%	1.02%	3.73%	-6.53%	-3.22%
12/18/08 – 6/10/09	1.87%	7.56%	-2.76%	14.37%	8.26%	34.68%	24.92%	8.24%	6.59%	39.60%	34.00%	-0.14%	8.30%	0.22%	-13.19%	1.72%
8/31/10 – 2/8/11	1.27%	27.28%	6.34%	24.59%	20.97%	19.61%	18.48%	2.89%	-1.93%	9.12%	7.20%	-2.36%	-5.54%	0.12%	-8.65%	-1.62%
7/24/12 – 12/31/13	1.64%	42.60%	9.08%	-11.42%	15.36%	28.57%	36.37%	-1.21%	0.95%	14.66%	9.42%	-1.71%	-1.21%	0.27%	-9.35%	-7.71%
7/5/16 – 3/13/17	1.25%	15.36%	-1.55%	-3.21%	-3.92%	7.93%	12.93%	0.38%	-2.53%	8.55%	6.55%	-3.68%	-3.81%	0.25%	-9.67%	-2.78%
9/5/17 – 11/8/18	1.18%	16.78%	4.17%	-0.48%	1.94%	1.39%	9.28%	-0.54%	-3.02%	2.74%	5.57%	-2.92%	-1.11%	1.81%	-7.07%	-2.38%
8/4/20 – 3/31/21	1.23%	21.46%	7.95%	18.35%	14.42%	35.95%	28.41%	3.96%	-3.30%	7.16%	7.78%	-3.70%	0.86%	0.11%	-9.99%	0.51%
8/2/21 – 6/14/22	2.30%	-13.73%	2.05%	35.19%	-17.72%	21.74%	-20.28%	-14.71%	-16.97%	-11.87%	-1.08%	-13.77%	-10.41%	-0.51%	-16.99%	-8.01%
7/28/22 – 10/24/22	1.57%	-6.37%	-12.37%	-6.51%	-20.46%	4.52%	-3.52%	-8.77%	-9.76%	-4.55%	0.07%	-9.36%	-6.40%	0.17%	-11.80%	-8.03%
4/5/23 – 10/19/23	1.68%	5.47%	-14.00%	2.38%	-9.04%	16.72%	0.43%	-4.16%	-6.24%	0.47%	6.52%	-7.29%	-5.53%	2.45%	-11.06%	-5.58%

**Past performance is not a guarantee of future results.** Source: Bloomberg. For illustrative purposes only and not indicative of any actual investment. Cumulative total return for each period is shown. MLPs & Senior Loans are annualized over a shorter period because they launched after Period 1. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. The asset classes shown offer different characteristics in terms of income, tax treatment, capital appreciation and risk. An index cannot be purchased directly by investors. **U.S. Equities** - The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. **Utilities** - S&P 500 Utilities Total Return Index comprises those companies included in the S&P 500 Index that are classified as members of the GICS® utilities sector. **Commodities** - The Bloomberg Commodity Index provides broad-based exposure to commodities and is designed to be a highly liquid and diversified benchmark. **Global Real Estate** - The MSCI World Real Estate Index is a free float-adjusted market capitalization index that consists of large and mid-cap equity across 23 developed markets countries. **Master Limited Partnerships (MLPs)** - Alerian MLP Total Return Index is a capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities. **Convertible Bonds** - ICE BofA US Convertible Index tracks the performance of publicly issued U.S. dollar (USD) denominated convertible securities of U.S. companies. **Preferreds** - ICE BofA Fixed Rate Preferred Securities Index tracks the performance of fixed rate, denominated, investment-grade preferred securities in the U.S. domestic market. **Investment Grade (IG) Bonds** - ICE BofA U.S. Corporate Index tracks the performance of USD-denominated investment-grade corporate debt publicly issued in the U.S. domestic market. **High Yield (HY) Bonds** - ICE BofA U.S. High Yield Constrained Index tracks the performance of USD-denominated below investment-grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%. **Senior Loans** - S&P/LSTA Leveraged Loan Index is designed to track the current outstanding balance and spread over LIBOR for fully funded term loans. **Core Bonds** - Bloomberg US Aggregate Bond Index measures the investment grade, USD-denominated, fixed-rate taxable bond market. **Municipal (Muni) Bonds** - Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. **Short Term U.S. Treasury (Treas.)** - ICE BofA 0-1 Year US Treasury Index tracks the performance of USD-denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than one year. **10-Yr. U.S. Treasury (Treas.)** - Bloomberg US Treasury Bellwethers 10 Year TR Index Value Unhedged USD is a universe of Treasury bonds and used as a benchmark against the market for long-term maturity fixed-income securities. **TIPS** - The Bloomberg U.S. Treasury Inflation Notes Value Unhedged Index measures the unhedged performance of the U.S. Treasury Inflation Protected Securities (TIPS) market. Indexes are unmanaged and an investor cannot invest directly in an index.

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## AVERAGE ANNUAL TOTAL RETURN DURING RISING RATE PERIODS



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