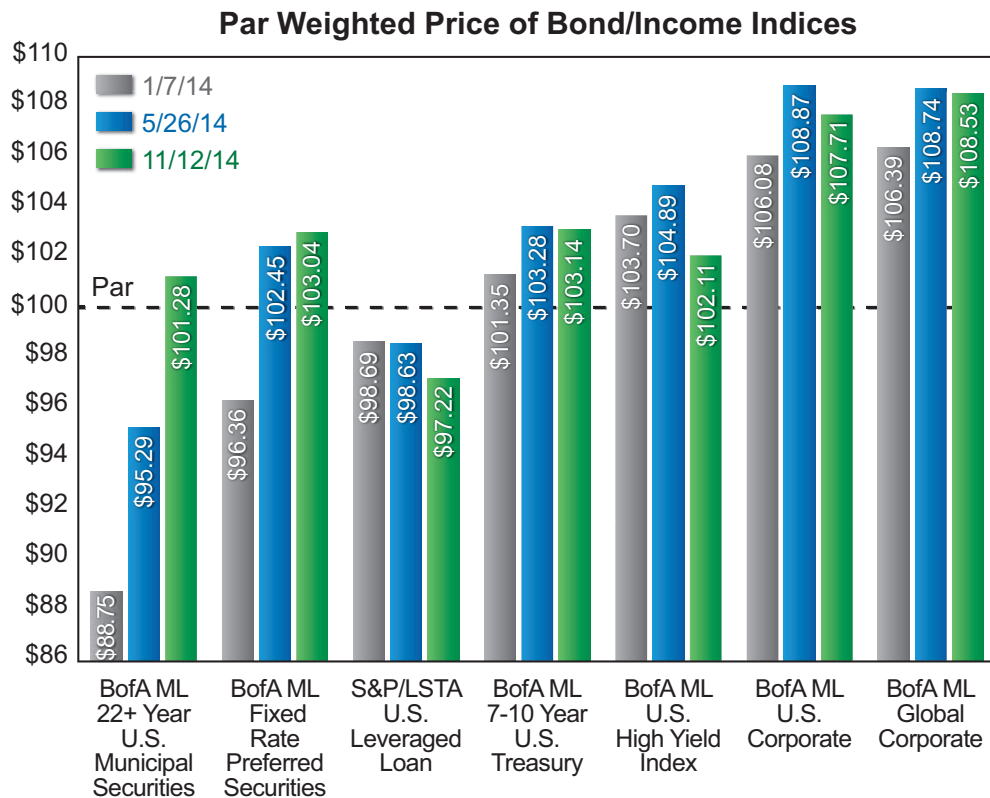


Bond Investors Still Facing The Prospects For Higher Interest Rates



Sources: Bloomberg, BofA Merrill Lynch. Past performance is no guarantee of future results.

View from the Observation Deck

1. From 5/27/14-11/12/14 (see chart dates), the yield on the benchmark 10-Year Treasury Note dipped from 2.52% to 2.37%. The yield rose from 1.76% to 3.03% in 2013.
2. Despite the 15 basis point decline since 5/27, bond prices were down in the last five bond categories featured in the chart.
3. The slight decline in the S&P/LSTA U.S. Leveraged Loan Index's par weighted price makes sense because the loans pay a floating rate of interest. Investors may view them as less desirable to own when interest rates are falling.
4. As for the other fixed-rate categories, the price decline could be due in part to outflows from bond mutual funds since the end of August 2014.
5. From 8/31/14-11/5/14, bond funds reported net outflows totaling approximately \$49.1 billion, according to estimates from the Investment Company Institute (ICI).
6. In the first eight months of 2014, ICI data showed that bond funds had reported net inflows totaling an estimated \$65.7 billion.
7. Bond prices remain well above par value in a number of major bond categories. We will continue to monitor moving forward.

This chart is 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. Investors cannot invest directly in an index. The BofA Merrill Lynch 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The S&P/LSTA Leveraged Loan Index tracks the performance of a broad cross section of leveraged loans, including dollar-denominated loans to overseas issuers. The BofA Merrill Lynch 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. The BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.