

# What You Need to Know About Investing in Bonds



## Who Are Bonds Suitable For?

Bonds are popular amongst individuals looking for a regular income stream and for portfolio diversification.

## What are Bonds?

Commonly known as fixed income securities, **bonds** are a form of debt instrument issued by borrowers like governments or companies looking to raise funds from the capital market. As with any debt instrument, the borrower (issuer) will pay the lender (investor) interest (coupons) over the period of the bond till maturity.



## Types of Bonds on SGX



### 1 Retail Bonds

Retail bonds are listed and traded on SGX with denominations of S\$1,000 or S\$10,000.

Click [here](#) for a list of retail bonds listed on SGX

### 2 Singapore Government Bonds

These are bonds issued by the Government of Singapore and are traded on SGX. SGS bonds have tenures of 2, 5, 10, 15, 20 or 30 years and coupon payments are made every 6 months.

Click [here](#) for a list of SGS bonds listed on SGX

## Benefits of Investing in Bonds



### Regular Stream of Income

Bonds offer you a regular stream of income - coupon payments are paid quarterly, semi-annually or annually.



### Capital Preservation

You will get back the face value at maturity of the bond, barring the risk of default.



### Portfolio Diversification

Bonds help diversify your investment portfolio and reduces overall portfolio risk.

## What to Look Out For When Investing in Bonds

- Coupon Rate**  
 This is the rate of interest bond issuers will pay on the face value of the bond.
  - Use of Proceeds**  
 This gives investors a clearer picture on how the issuer plans on spending the money raised and their long-term growth potential.
  - Issuer's Right to Defer Payment**  
 This allows the issuer the right to delay payments.
  - Issuer's Credit and Financial Profile**  
 The issuer's credit rating and financial health gives you an indication on the likelihood the bond gets paid back to you.
  - Embedded Call Option**  
 The Call Option gives the issuer the option to redeem their bond before it matures based on the terms & conditions specified in the offer document.
  - Embedded Put Option**  
 The Put Option gives investors the option to ask for early repayment of the principal from the issuer before maturity.
  - Ranking of Debt Obligations**  
 Find out if the bonds issued are secured or unsecured, subordinated or unsubordinated.
- Did You Know?**

Bondholders are typically repaid first before stockholders in the case where the firm liquidates.

## Risks of Investing in Bonds

- Interest Rate Risk**  
 Interest rates and bonds generally have an inverse relationship; when interest rates rises, bond prices will fall and vice versa.
- Inflation Risk**  
 When inflation increases at a higher rate than income investment, the buying power of your interest income will decrease and may lead to negative returns.
- Liquidity Risk**  
 When it comes to bonds, there's always a risk that they can't be sold, or are forced to take a lower price in a thinly traded market.



Learn more about **Bonds** and other investment products for your portfolio »