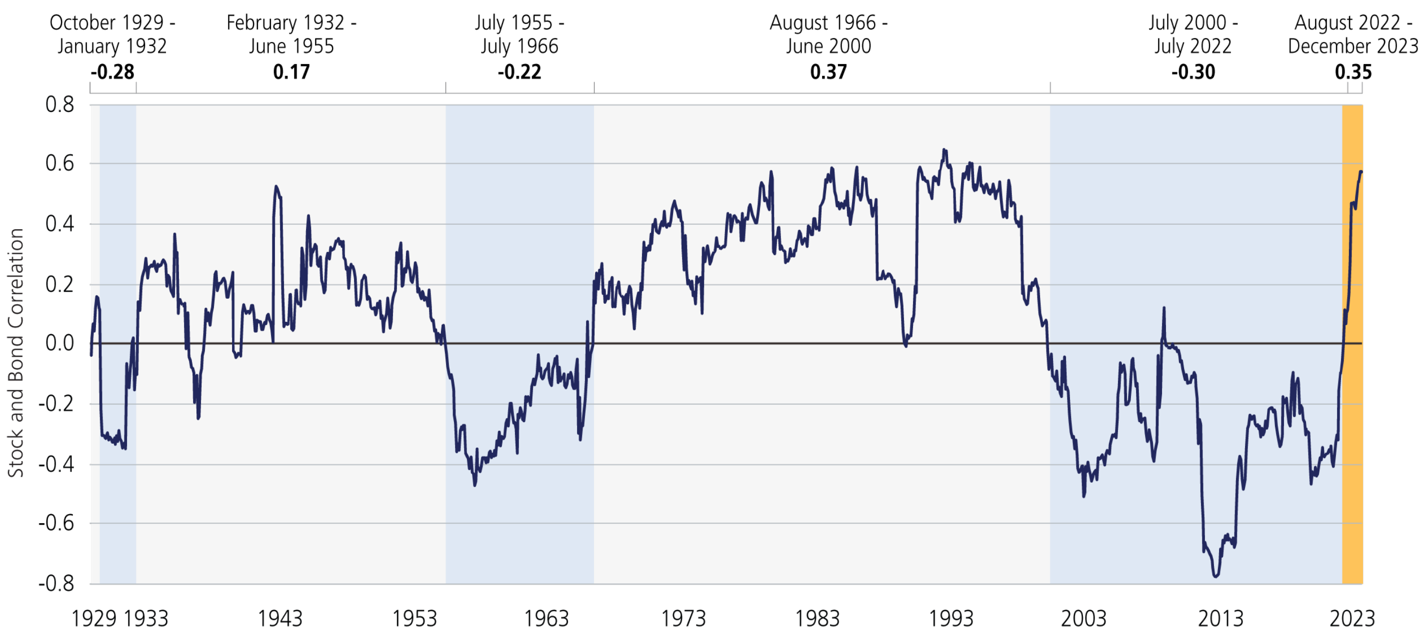
LoCorr Chart Series

Stock and Bond Correlation: Negative and Positive Regimes

The correlation between stocks and bonds plays a critical role in portfolio construction. A negative correlation allows stocks and bonds to function as a hedge to one another because they move in opposite directions. Whereas a positive correlation means stocks and bonds will move in the same direction.

For the last 20 years, as shown below, stocks and bonds were negatively correlated. However, during the previous 30 years, including the '70s, '80s and '90s, and again from 1932 – mid-1955 they were positively correlated.

Stock and Bond Correlation* – Negative and Positive Regimes | January 31, 1929 - December 31, 2023



Source: LoCorrFund Management and Morningstar Direct. Monthly data as of December 31, 2023. Index performance is not indicative of fund performance. To obtain fund performance visit www.LoCorrFunds.com. **Past performance is not a guarantee of future results.** *Average 3-yr rolling correlation between IA SBBI U.S. Large Stock TR Index and IA SBBI U.S. Long-Term Government TR Index

Key Takeaways

- Stock and bond correlation is not always negative.
- In the current macroeconomic environment of higher inflation and interest rates, the correlation between these two asset classes has become positively correlated.
- Fixed income shouldn't be counted on as the only long-term solution for hedging equity market risk.

IA SBBI U.S. Large Stock TR Index tracks the monthly return of S&P 500 Index. The history data from 1926 to 1969 is calculated by Ibbotson. **IA SBBI U.S. Long-Term Government TR Index** measures the performance of a single issue of outstanding U.S. Treasury bond with a maturity term of around 21.5 years. It is calculated by Morningstar and the raw data is from Wall Street Journal.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Non-diversified investments may concentrate assets in fewer individual holdings than diversified investments. Therefore, the investments are more exposed to individual stock volatility than diversified funds. The Funds invest in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Funds may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Funds to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Funds may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-Backed, Mortgage-Backed, and Collateralized Mortgage-Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in small- and medium-capitalization companies involve additional risks such as limited liquidity and greater volatility. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. ETF investments are subject to investment advisory and other expenses, which will be indirectly paid by the Funds. As a result, the cost of investing in the Funds will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest directly in stocks and bonds. ETFs are subject to specific risks, depending on the nature of the ETF. A Fund's real estate portfolio may be significantly impacted by the performance of the real estate market generally, and the Fund may be exposed to greater risk and experience higher volatility than would a more economically diversified portfolio. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Investments in Limited Partnerships (including master limited partnerships) involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the Limited Partnership, risks related to potential conflicts of interest between the Limited Partnership and the Limited Partnership's general partner, cash flow risks, tax risk, dilution risks and risks related to the general partner's limited call right. Underlying Funds are subject to management and other expenses, which will be indirectly paid by the Fund. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Past performance is not a guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.