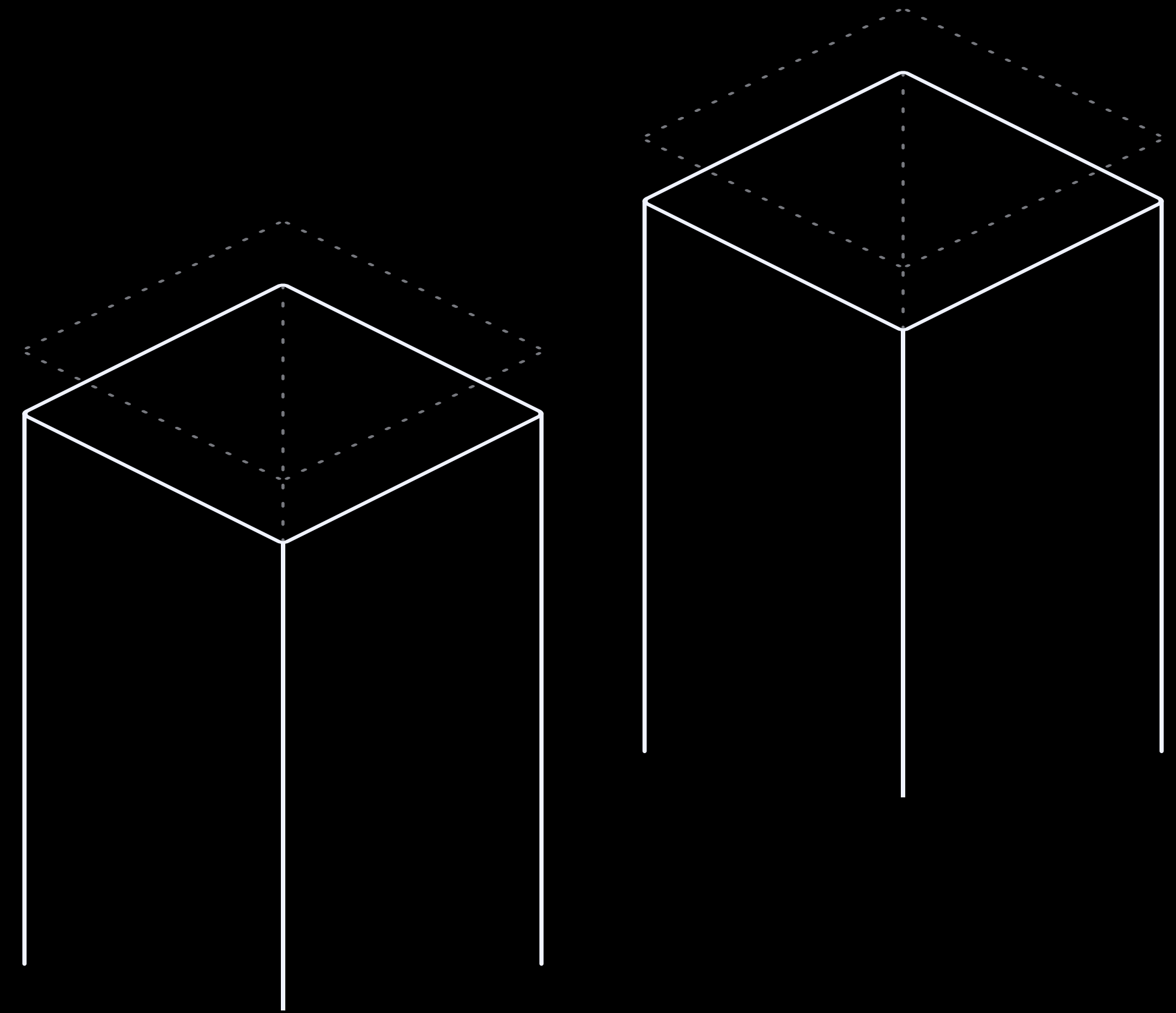


Fixed income, the Fed, and your portfolio

How rate decisions can impact investor appetite for bonds



Overview

Interest rates now

Bond yields are near 15-year highs

What’s to come

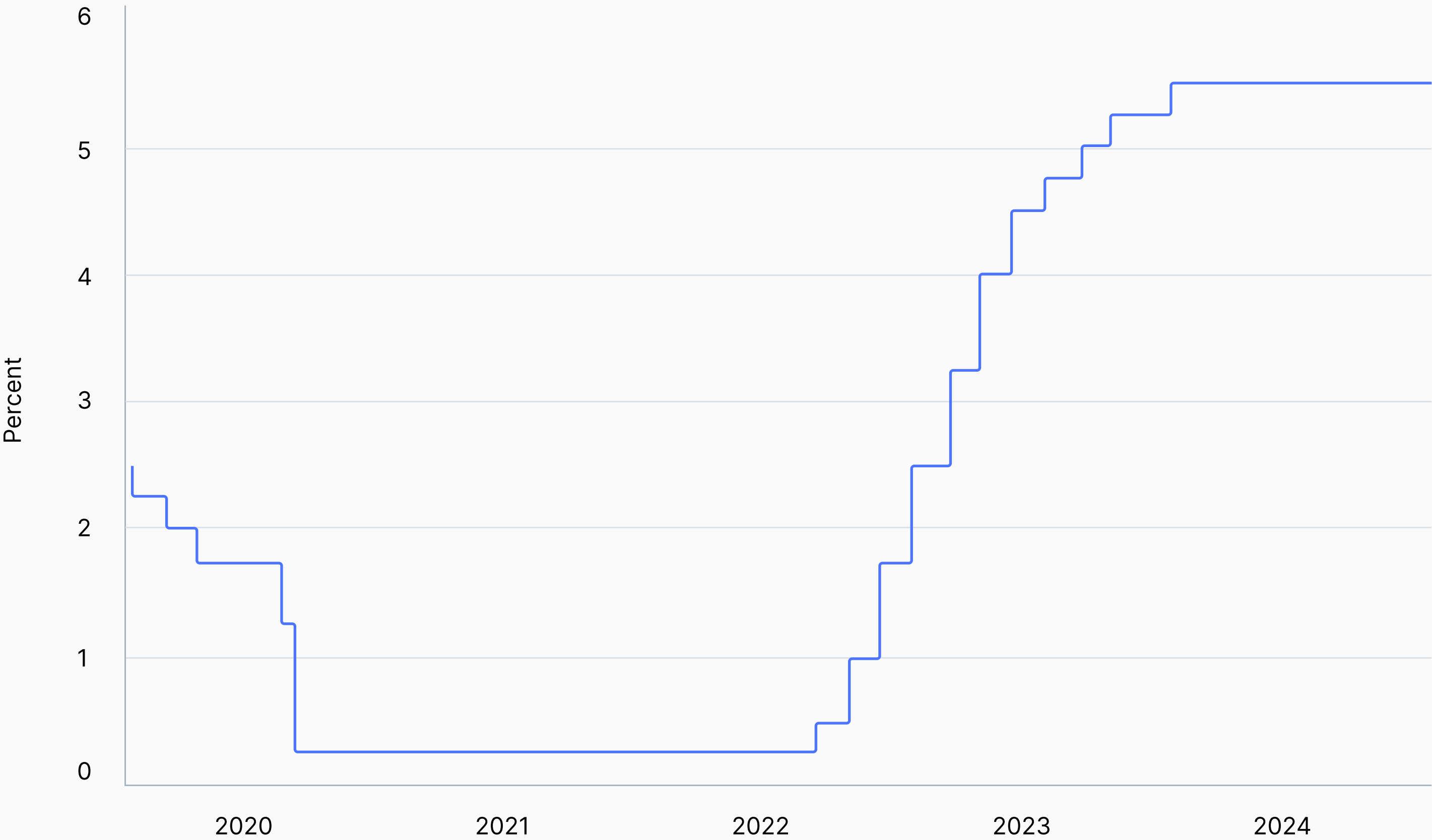
Rate cuts are anticipated soon⁽¹⁾, which will impact yield-bearing accounts

Bond investing

How you can find, evaluate, and invest in fixed income securities

(1) Source: CME FedWatch Tool

To combat post-pandemic inflation, the Fed chose to raise rates 11 times in 2022 and 2023

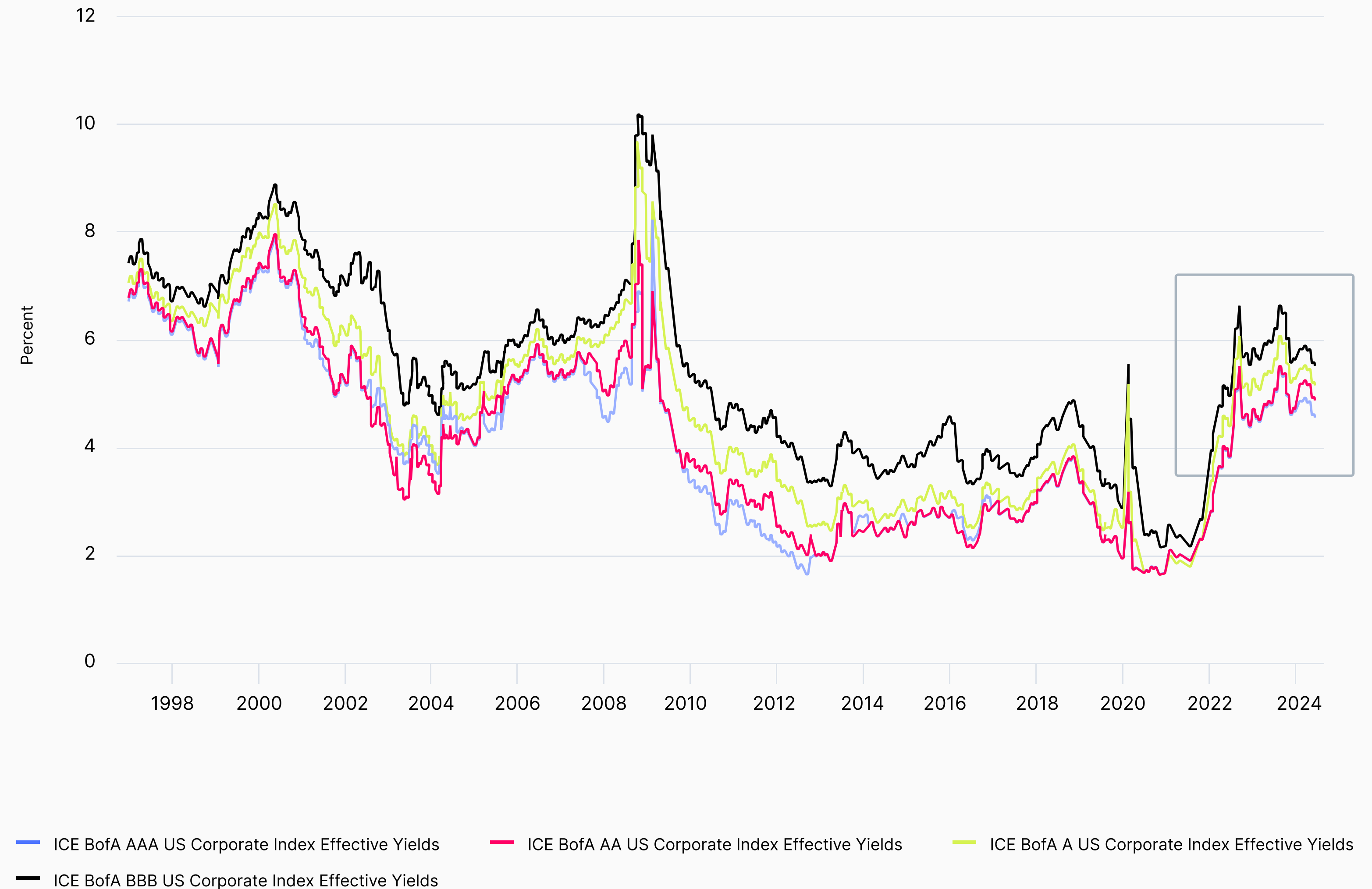


Federal Funds Target Range - Upper Limit

Source: Board of Governors of the Federal Reserve System (US)

As a result, bond yields reached their highest levels since 2010, driving renewed interest & inflows into fixed income

US - IG Corporate Bond Effective Yields



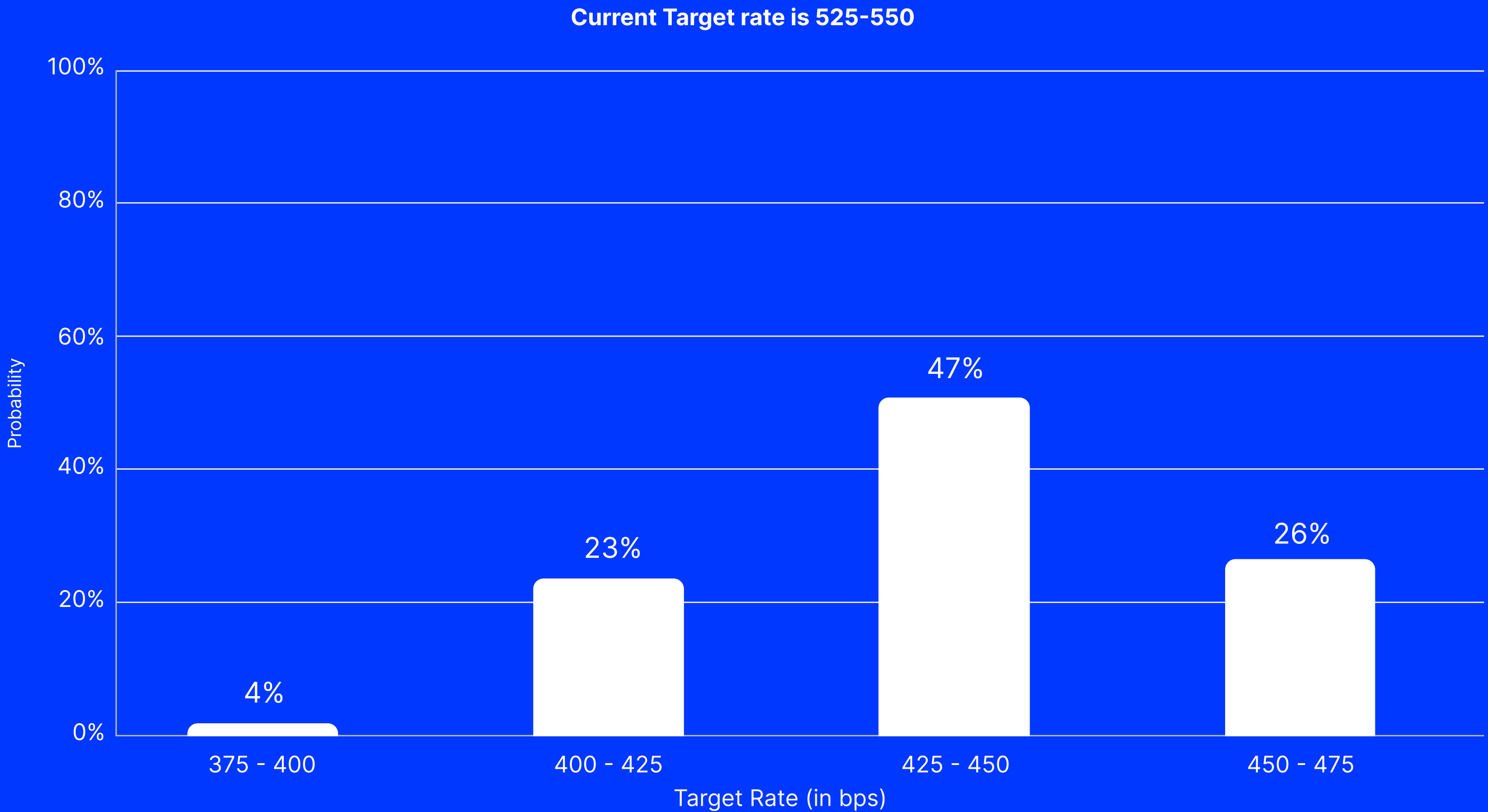
But high yields may be coming to an end Very soon

As inflation comes down, there's an increased chance that the Fed will reduce rates

It's now widely expected that the Federal Reserve will cut rates in September 2024, and the consensus is that cuts will continue throughout the rest of the year, with cuts of **100 basis points or more** by the end of the year

Source: CME FedWatch as of August 12, 2024.

Target rate probabilities for December 2024

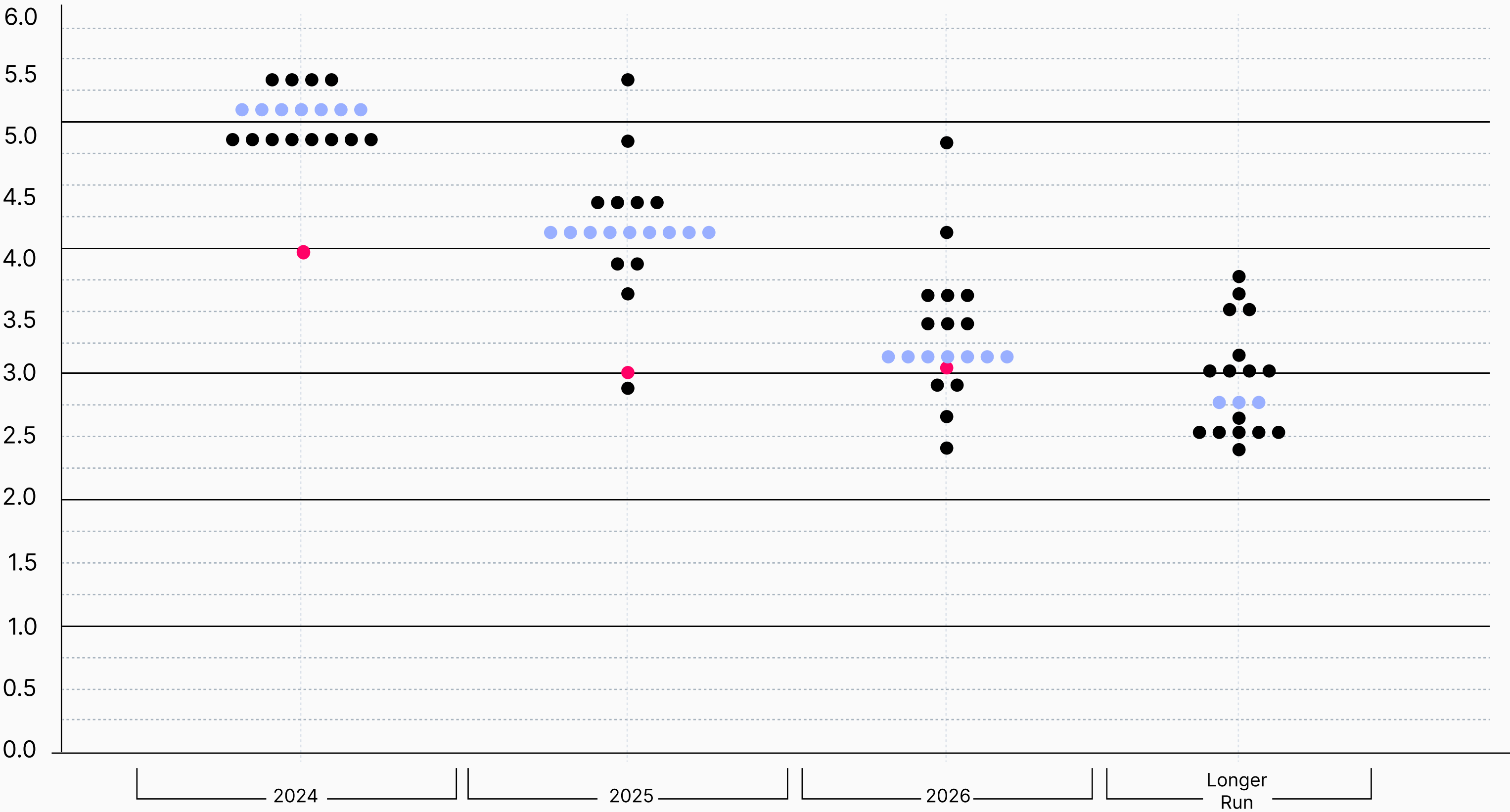


And further cuts are expected in 2025 and beyond

The majority opinion is that the Fed will cut the federal funds rate to 3% by the end of 2025

Source: CME FedWatch as of August 12, 2024.

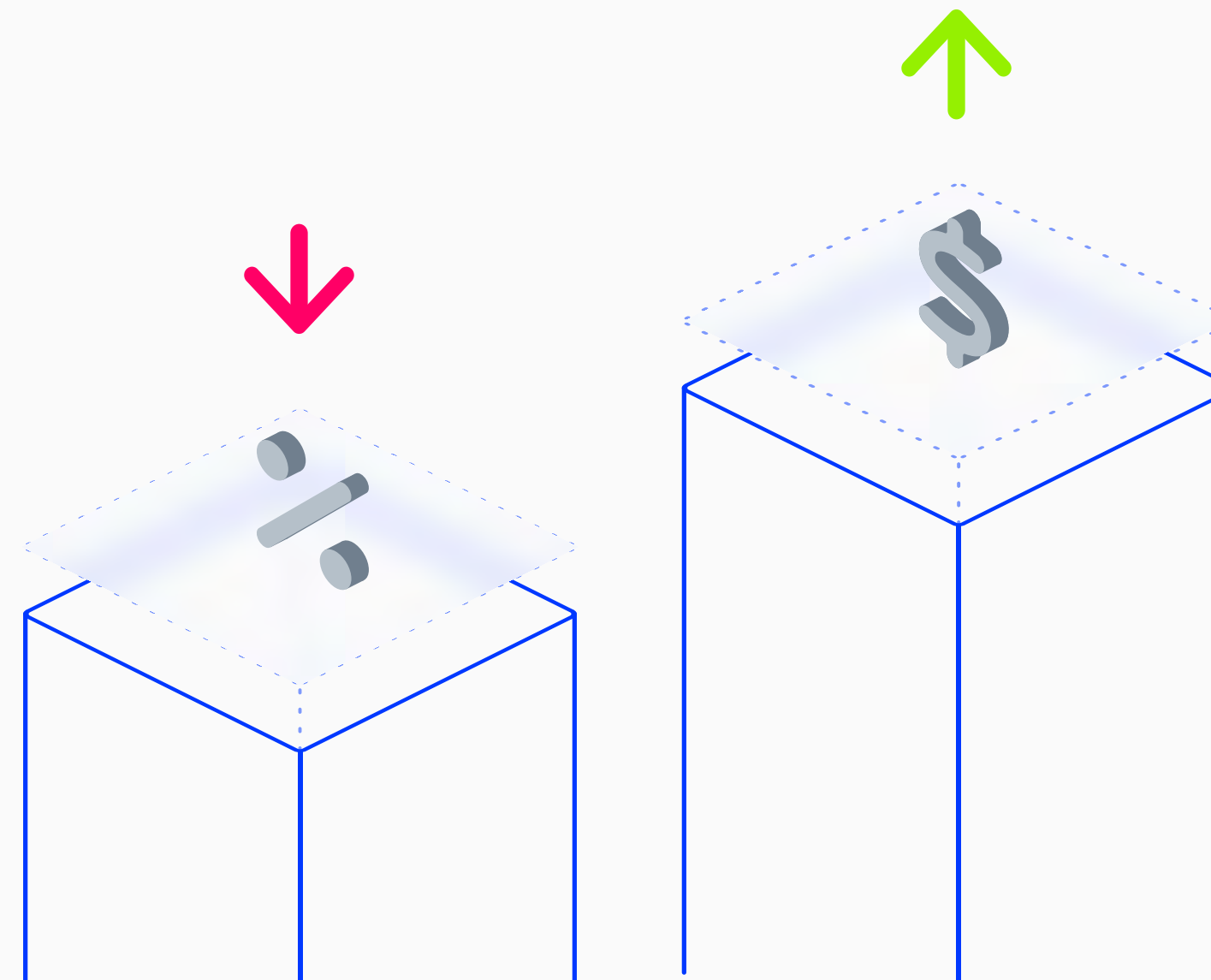
FOMC participants’ assessments of appropriate monetary policy: “Dot-Plot”



Source: CME FedWatch Tool. Each shaded circle indicated the value (rounded the nearest 1/8 percentage point) of an individual participant's judgement of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

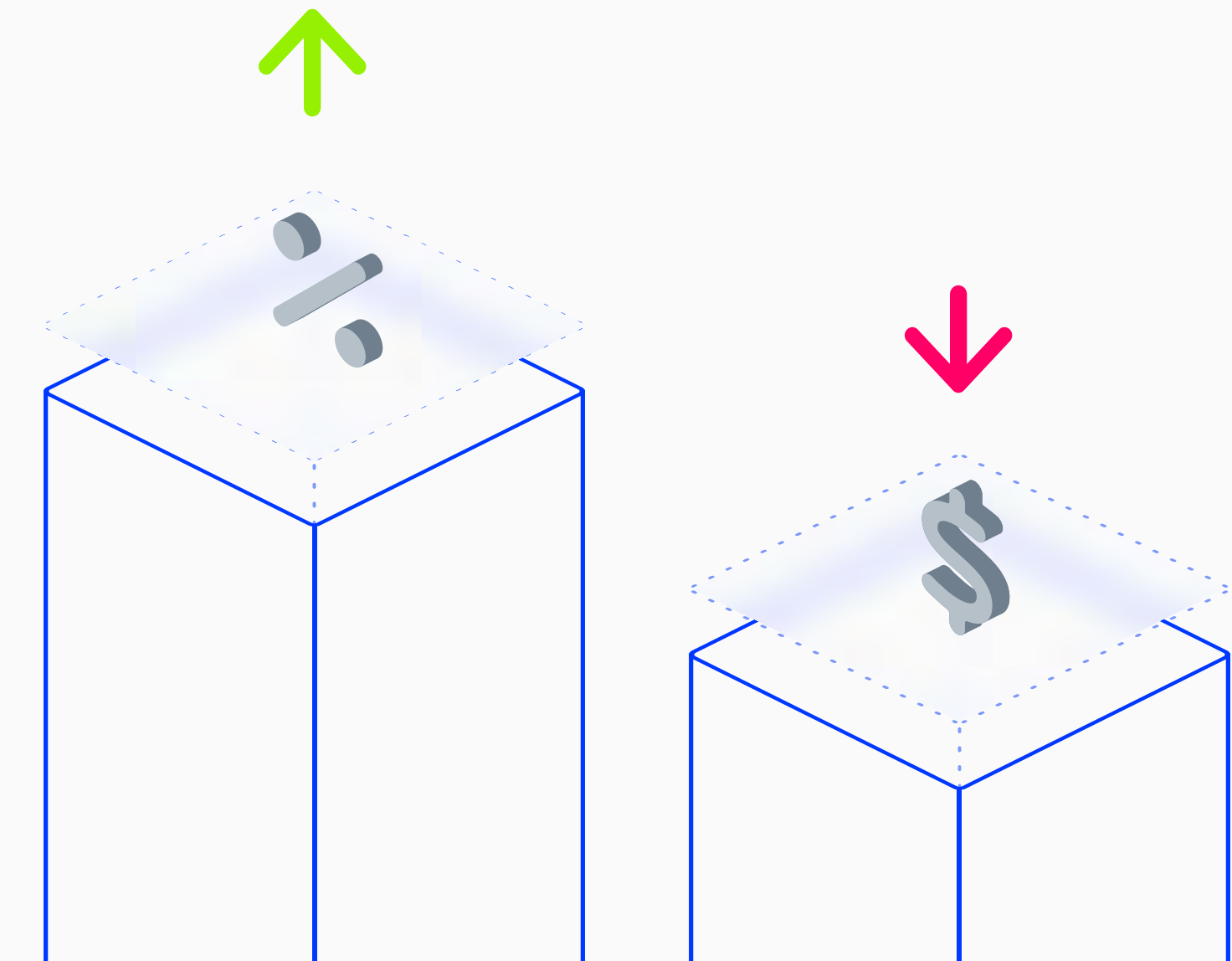
Bond yields are directly impacted by rate changes⁽¹⁾

If the Fed cuts rates



Bond prices could rise and yields could fall. Investors may opt to lock in higher yields by buying bonds before an anticipated rate cut.

If the Fed raises rates

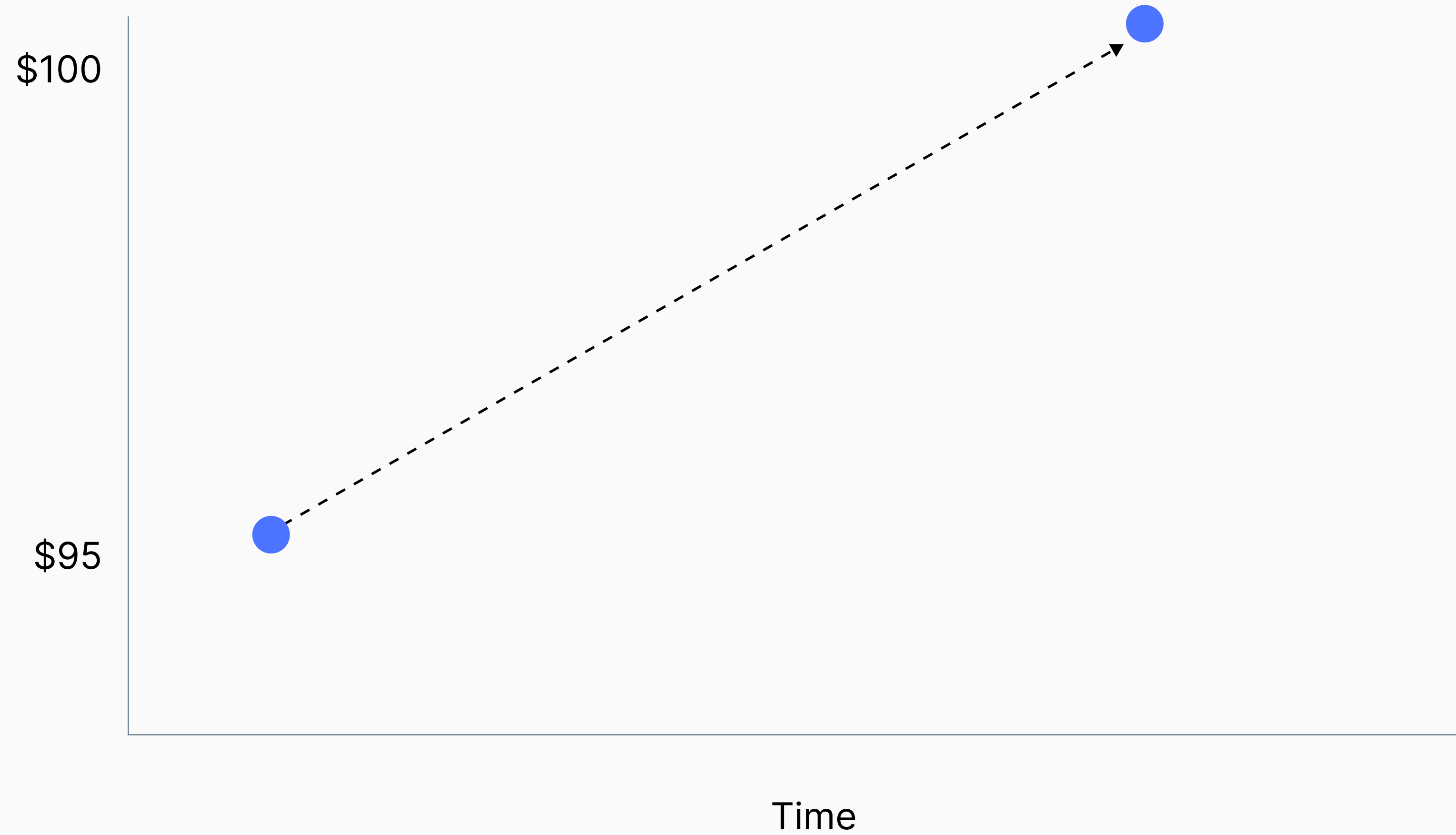


Bonds prices could fall and yields could rise. Investors may choose to wait until rates increase before purchasing bonds.

(1) While corporate bond yields should fall in reaction to a rate cut by the Federal Reserve, we cannot know how quickly that will happen and by how much yields will decline.

Impact of purchasing a bond before a rate cut

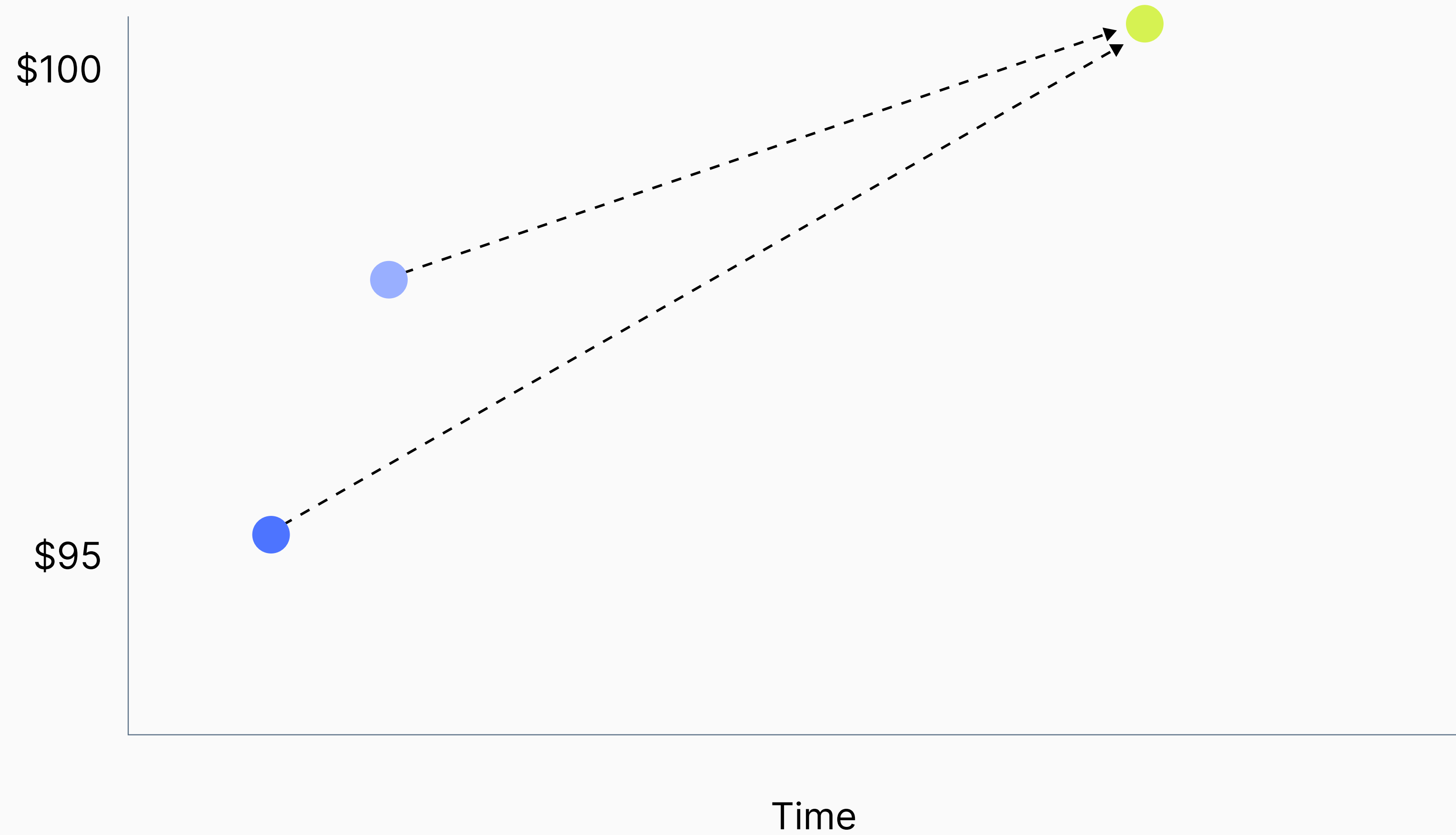
In this hypothetical example, imagine you purchase a bond for \$95 the day before a rate cut and will receive \$100 at maturity.



Illustrative example only.

Impact of purchasing a bond before a rate cut

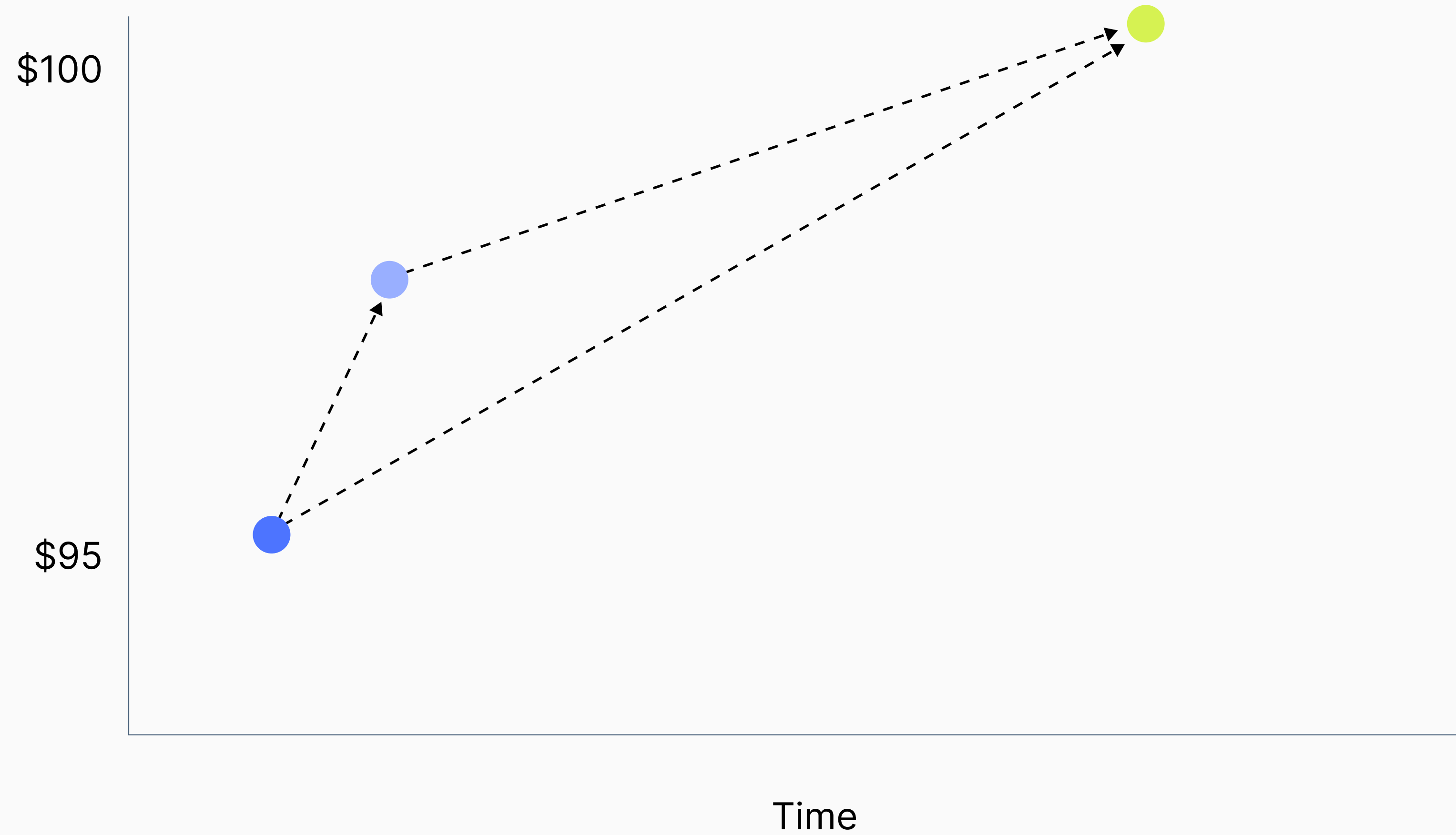
After a rate cut, the bond price will increase, let's say to \$97. If you buy the bond after the rate cut, you'll pay more and earn a lesser yield*.



Illustrative example only.
* While corporate bond yields should fall in reaction to a rate cut by the Federal Reserve, we cannot know how quickly that will happen and by how much yields will decline.

Impact of purchasing a bond before a rate cut

If you bought before the rate cut, you’ve unlocked additional value, as your bond price has risen from \$95 to \$97. The rate cut ‘accelerated’ your gains, but only if you had held prior to the cut.



Illustrative example only.

This is a unique moment to capitalize on bond yields

- Yields remain high, but the clock is ticking toward rate cuts
- Unlike savings accounts and other variable accounts, investors can lock in bond yields for years to come*
- Bonds are often viewed as a more stable force in uncertain times

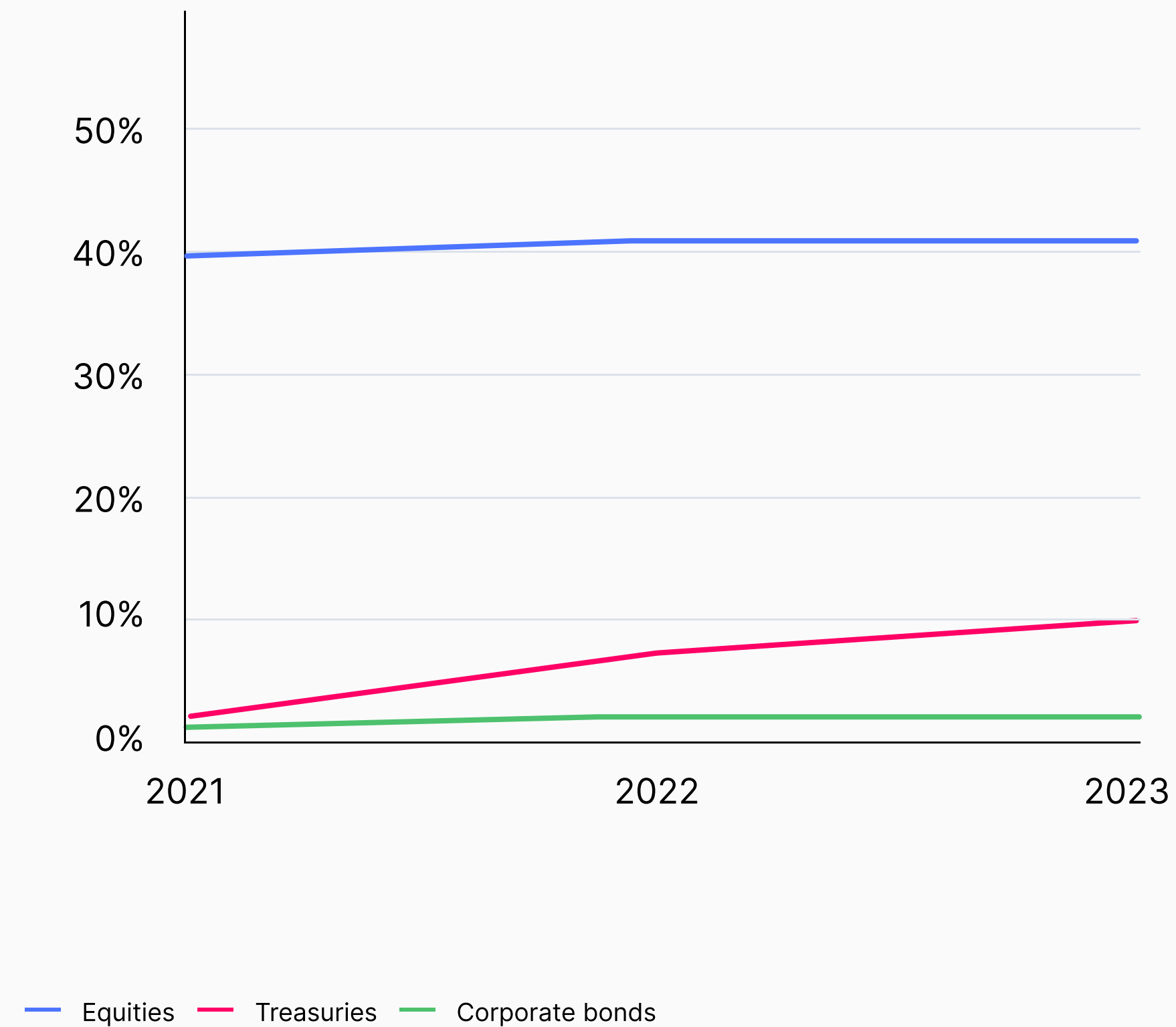
“Now, though, with the annual inflation rate falling, the fundamental outlook for the rest of 2024 and beyond is more positive for bonds than it has been in some time. If you’ve got cash sitting in a money market fund earning 5 percent a year in interest or more, you may want to start planning ahead because those lovely short-term interest rates could start to decline fairly soon — while bond returns would receive a hefty bonus.”

New York Times, July 2024

* When a company issues a bond, that bond will have a maturity date – the date at which the bond will be paid back by the issuer. The “yield to maturity” or YTM is the total rate of return earned when a bond makes all interest payments and repays the original principal. You may not receive the full YTM if you sell the bond before maturity, or if the issuer calls or defaults on the bond.

Yet, retail participation in the fixed income markets has remained low, particularly for corporate bonds

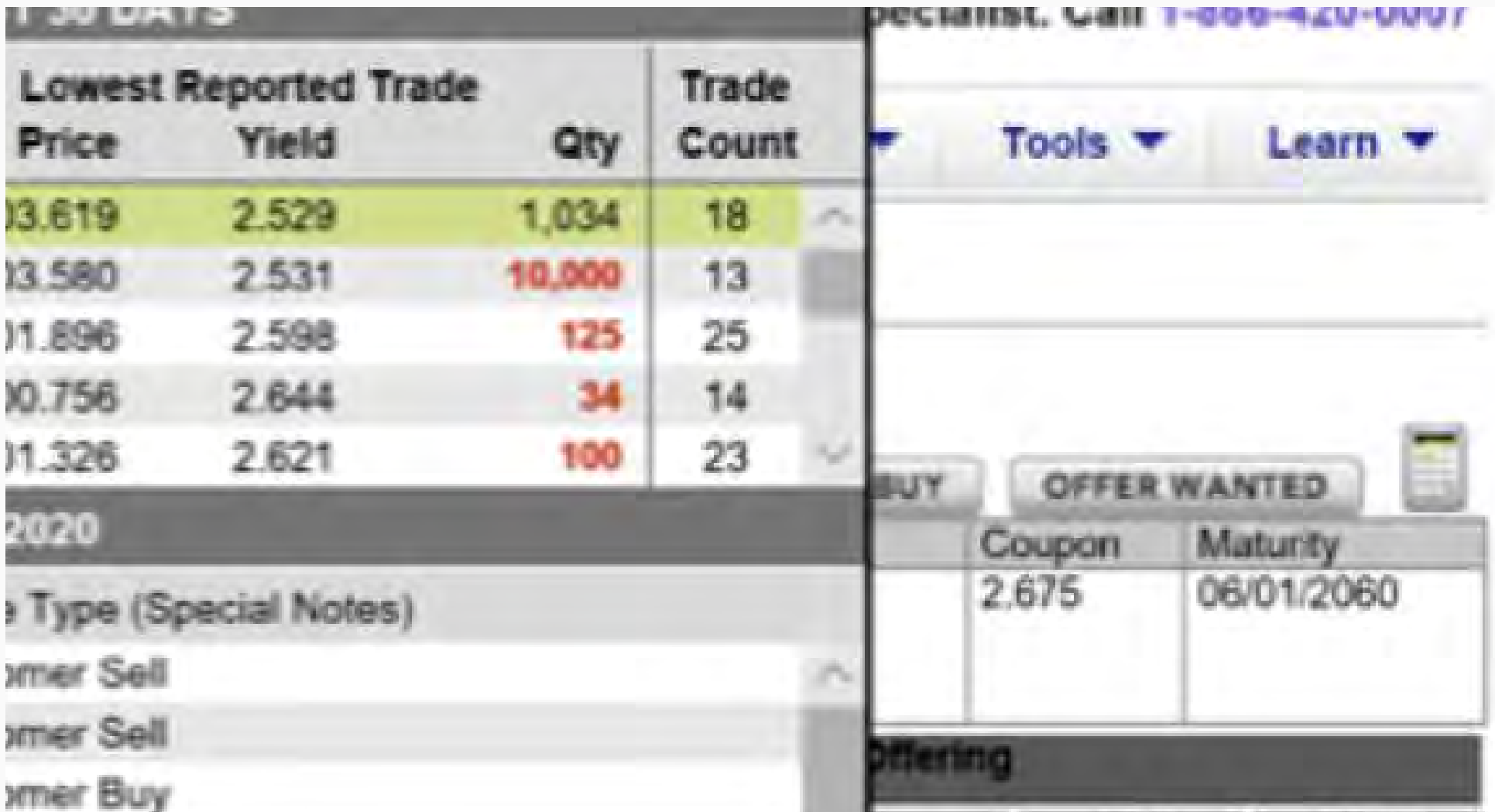
% Retail Participation by Asset Class



- Fewer than 15% of retail investors invest in bonds
- Over the past two years, retail participation in Treasuries has increased nearly 5x
- However, retail participation in corporate bonds has not moved beyond 2%, despite the fact that corporate bond yields have more than doubled over that period

When you look at the status quo for bond investing, maybe that’s not as surprising

It’s clunky, complicated, and expensive



→ Dense, confusing user experiences, rarely if ever optimized for mobile

→ High minimums to purchase bonds, as well as rigid purchase increments

→ Universe of tens of thousands of bonds to evaluate, with often dozens from the same issuer

What about bond ETFs?

Bond ETFs have been more popular with retail investors than self-directed bond investing, but they come with both benefits and drawbacks

While bond ETFs are favored by some investors due to their availability at most brokerages, high liquidity, they do not allow investors to lock in high yields before a rate cut

The securities in a bond ETF are not typically held until maturity. Instead, they are actively managed and rebalanced.

In a declining rate environment, reinvestment into new bonds will likely be at lower yields, so investors do not get the chance to benefit from locking in yields for a longer time horizon

As more investors are expressing interest in bonds, platforms like Public are making bond investing simpler and more accessible



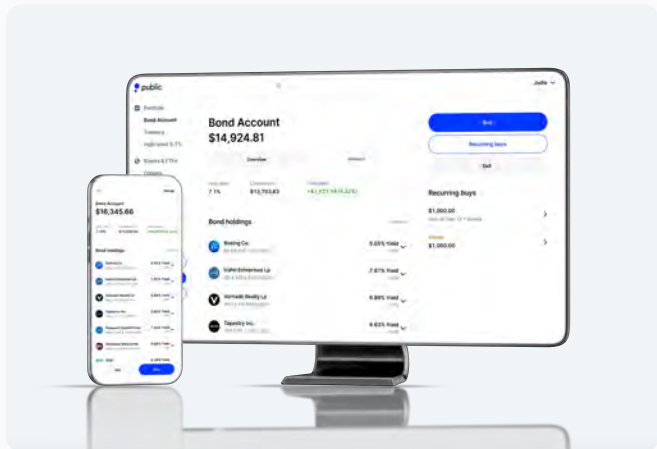
Retail investors are turning to bonds like never before and brokerages want in



US fintechs push into fixed-income trading as retail investor interest grows



Retail investors have a surprising new favourite: Treasury bills

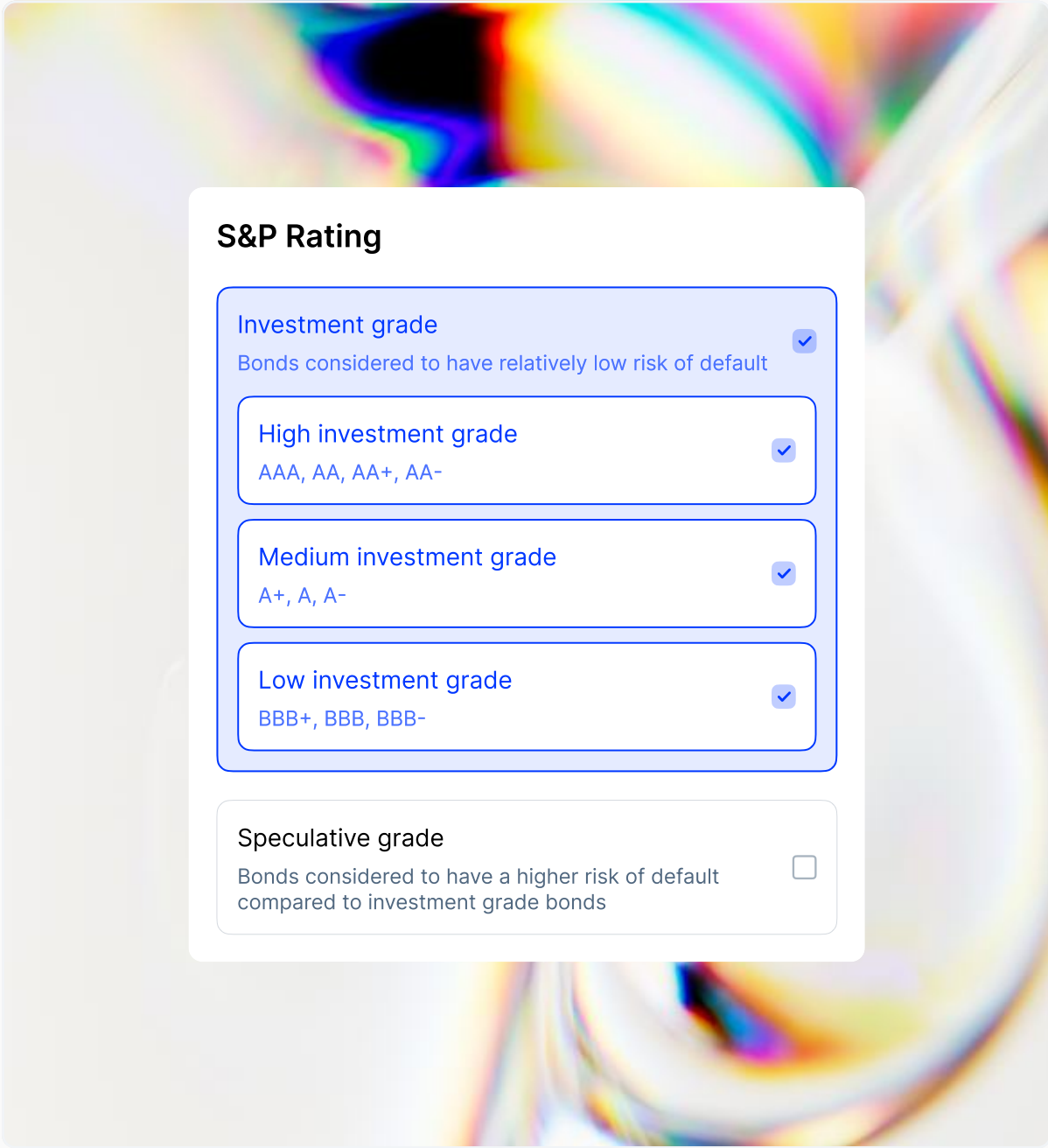


“With the dramatic rise in interest rates over the last two years, we’ve seen massive growth in retail investor demand for yield, broadly, and fixed-income assets, specifically. We built fractional bond trading to both create a trading experience that closely resembles the equities experience and to create a lower barrier to allow even sophisticated equities investors to make their first direct bond trade.”

Stephen Sikes, COO of Public

Public takes a different approach to fixed income

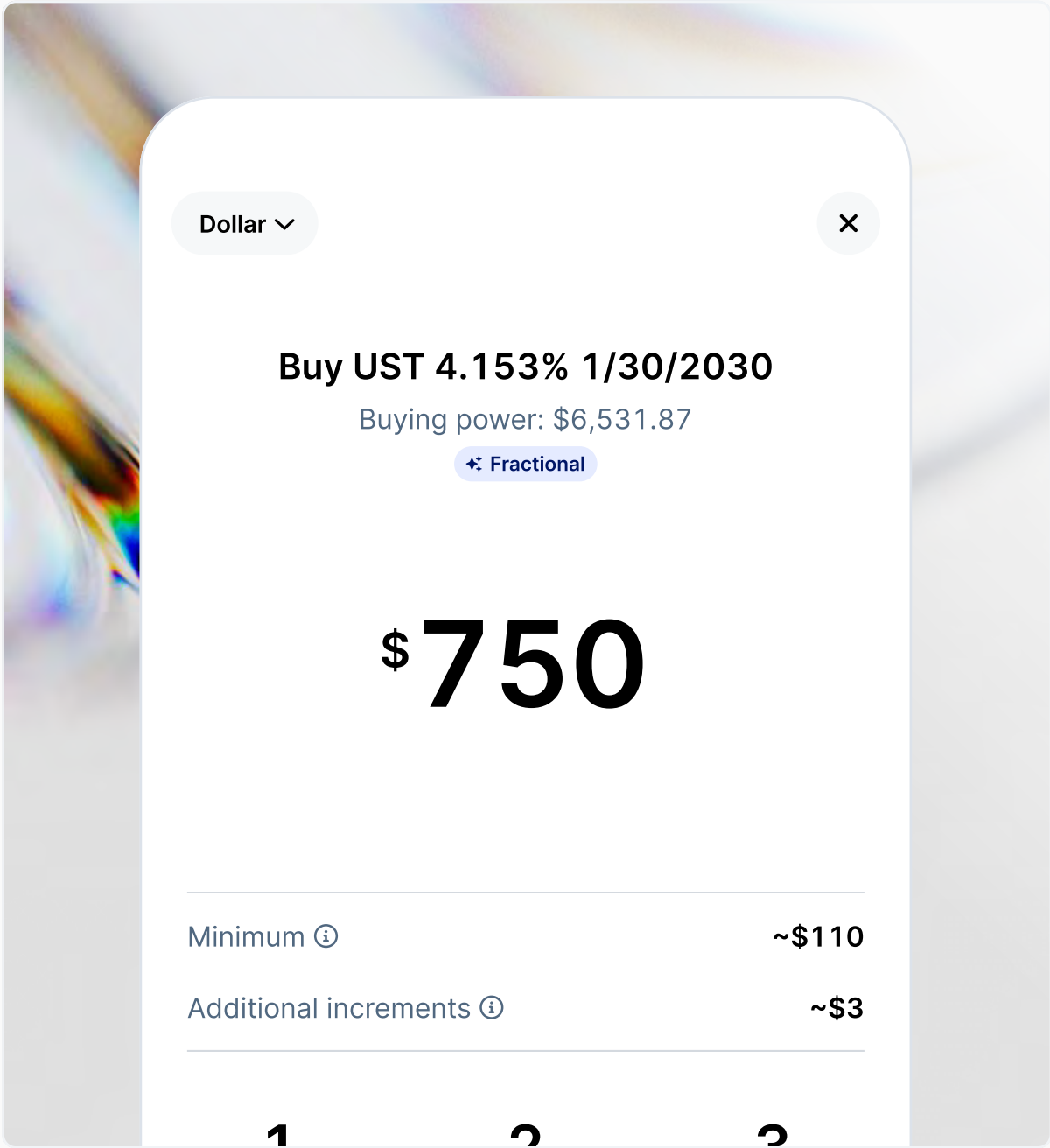
Intuitive Search and Discovery



Modern, Multi-Platform User Experience



Dramatically Simplified Purchase Experience



The evolution of fixed income on Public

Q1 2023

Treasury Accounts

Treasuries

\$45,509.20

Current earnings +3.43% (+\$1,509.20)

Net contributions

\$44,000.00

Your Account YTM

5.48%

Holdings ⓘ

Treasury bill

\$5,098.52

Maturity date: 07/07/2024

YTM: 5.46%

Treasury bill

\$5,098.63

Maturity date: 07/14/2024

YTM: 5.51%

Treasury bill

\$5,098.89

Maturity date: 07/21/2024

YTM: 5.52%

Q4 2023

Self-directed bond investing

< Bonds ?

Screener Markets

Explore bonds

Showing: 5,902 bonds

Filter

Highest yield

240 bonds

Speculative

240 bonds

Highest cc

240 bonds

Treasury

U.S. Treasury

UST

Maturity 6/25/2025

Coupon 3.17%

Price \$100.00

5.63% Yield

Fractional

StandFindr

STND

Maturity 2/15/2027

Coupon 9.95%

Price \$129.00

7.83% Yield

Q2 2024

Fractional Bonds

Buy Bond Account

x

\$3,000

\$1,000 minimum ⓘ

From

Checking 1234

▼

To

Bond Account

Frequency

Monthly

▼

\$1,000

\$3,000

\$5,000

1

2

3

Q3 2024

Bond Account

Bond Account

\$16,345.66

Your yield

7.16%

Contributions

\$15,520.00

Total gains

+\$825.66 (5.32%)

Bond holdings

Holdings

Boeing Co.

BA 8.625% 11/15/2031

6.05% Yield

~10%

▼

Icahn Enterprises Lp

IEP 4.375% 02/01/2029

7.87% Yield

~10%

▼

Vornado Realty Lp

VNO 3.4% 06/01/2031

6.99% Yield

~10%

▼

Tapestry Inc.

TPR 7.7% 11/27/2030

6.63% Yield

~10%

▼

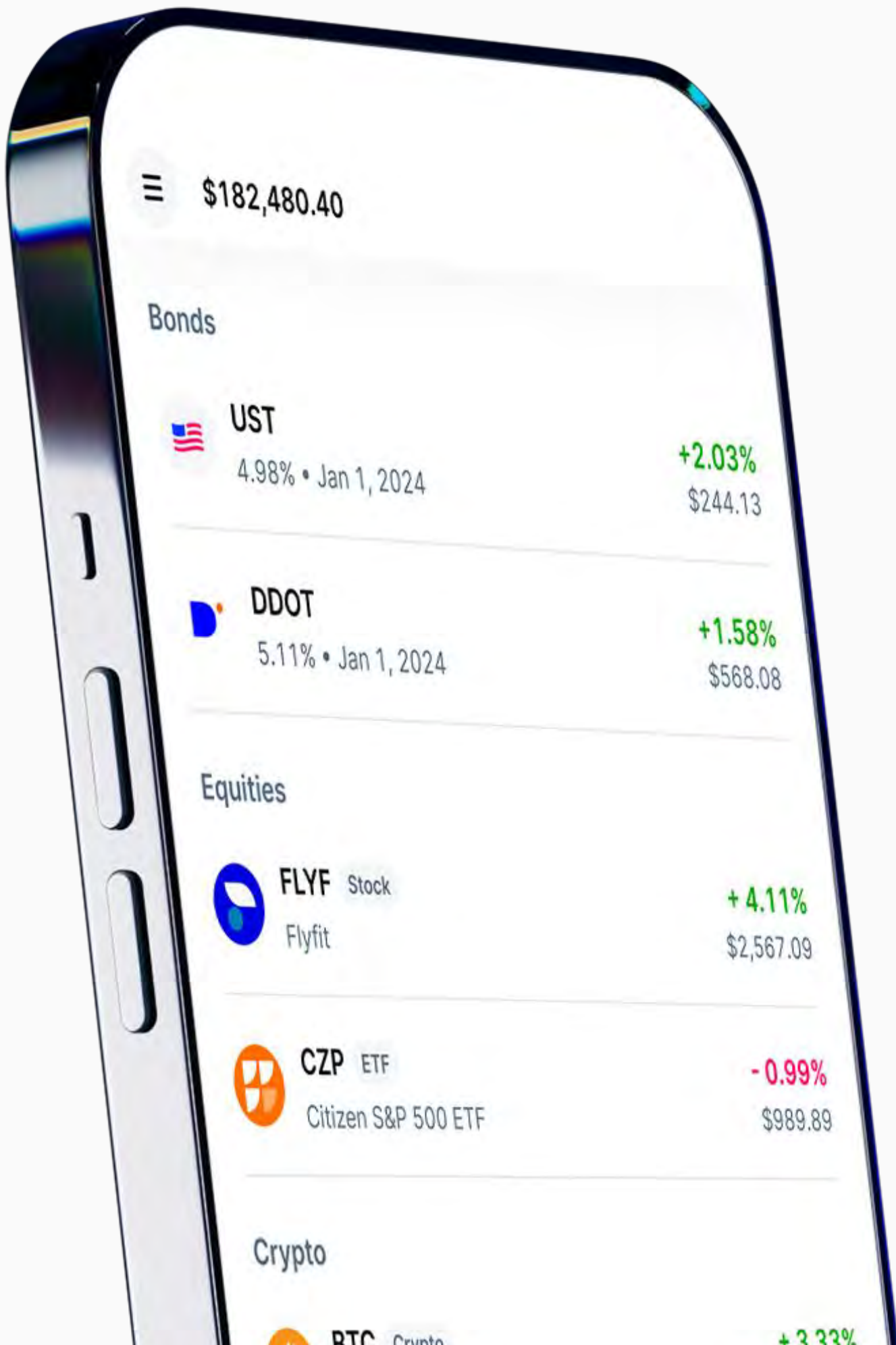
Yield Accounts on Public

	High Yield Cash Account	Treasury Account	Bond Account
Yield	5.1% APY*	4.9% Yield**	7.3% Yield***
Asset class	Cash	6-Month Treasury Bill	Investment grade and high-yield fractional corporate bonds
Min investment	None	\$100	\$1,000
Typical hold period	Short or long term	Short or long term	Longer term (>3-5 years)
May be a fit for	Investors looking for a no-fee, liquid, higher yield alternative to a savings account	Investors looking for a more modern alternative to Treasury Direct to earn tax-exempt interest from Treasuries	Investors looking for a simpler way to invest in corporate bonds and earn an enhanced yield
Key benefits	No min/max No subscription \$5M FDIC insurance Withdraw anytime Recurring deposits	Modern experience No state/local taxes Automatic reinvestment	Diversification across 10 bonds Monthly interest payments Automatic reinvestment
Key risks	Interest rate is variable	While they have a high credit rating, Treasuries are fixed income securities that have some risk of default	While typically considered less risky than stocks, corporate bonds do have default risk. Bonds may also have illiquidity and inflation risk
Fees	None	0.05% per month	\$5 per \$1K bought/sold

*APY as of August 6, 2024. APY is variable and subject to change.

**Yield is an annualized 26-week T-bill rate (as of 8/6/24) when held to maturity. Rate is gross of fees. T-bills are purchased in increments of \$100 par value at a discount; any remaining balance after purchase is held in cash. For other important disclosures, see risks.

***Yield is the average annualized rate of return to maturity across all ten bonds in the Bond Account, before fees as of 8/12/2024. The yield to maturity of each bond is based on the bond's current market price, which can fluctuate. Your yield at time of purchase may be different from the yield shown here. Yield to maturity is “locked in” at the time of purchase, but you can earn less than that yield if you do not hold the bonds to maturity or if the issuer defaults or calls the bond.



Introducing Bond Account: A new way to invest in corporate bonds

Lock in your yield for years

Unlike a High-Yield Cash Account, the yield of a Bond Account is locked in at the time of purchase. That means you'll receive your yield at purchase until the first bond matures in 2028.⁽¹⁾

(1) Payments are anticipated, but all bond transactions are subject to risk of missed payments or default.

Skip the sky-high minimums

With a minimum \$1,000 deposit, you can invest in a portfolio of ten bonds. Many bonds on other platforms are only available in investment sizes of \$10k or more.

Receive monthly interest payments

While you are invested in a Bond Account, you'll receive at least one monthly interest payment from your diversified portfolio of ten corporate bonds.⁽²⁾

(2) Advertised yield is the annualized yield to maturity of all 10 bonds in the Bond Account. The first bond in that set matures in four years; at that point, the avg yield to maturity of the remaining bonds will change. Note that you may not actually receive this yield if you sell the bonds prior to maturity, or if the bond issuer defaults or calls the bond.

The Account consists of 10 corporate bonds

Public's Bond Account provides exposure to high yield and corporate bonds that together have higher yields to maturity than US Treasuries, but with higher risk. Bonds purchased will be short-term or medium-term with a portfolio target duration of 4-7 years and subject to other constraints including size, credit rating, and liquidity score. Bonds are subject to change over time.

	Issuer	Yield to Worst	Coupon %	Rating	Maturity Date
1	Petroleos Mexicanos	8.80%	6.50%	BBB	2029-01-23
2	Service Properties T...	8.40%	8.38%	BB	2029-06-15
3	Icahn Enterprises LP	7.83%	4.38%	BB	2029-02-01
4	Prospect Capital Co...	7.05%	3.44%	BBB-	2028-10-15
5	Piedmont Operating...	6.97%	3.15%	BBB-	2030-08-15
6	Vornado Realty LP	6.88%	3.40%	BBB-	2031-06-01
7	Tapestry Inc.	6.57%	7.70%	BBB	2030-11-27
8	Warner Media LLC	6.33%	7.63%	BBB-	2031-04-15
9	Main Street Capital ...	6.18%	6.95%	BBB-	2029-03-01
10	Ford Motor Company	5.80%	7.45%	BBB-	2031-07-16

This list represents the 10 bonds in the Bond Account as of 8/13/24. That selection may change from time to time. If you make a one time or recurring Bond Account purchase, the set of bonds you purchase will be the Bond Account portfolio that is in place on the date you make your one-time purchase or the date you created your recurring purchase. Public Investing will not rebalance your Bond Account or update your allocations in any way, except for Corporate Actions. [Learn more about the Bond Account methodology.](#)

The Bond Account pays interest 20 times annually

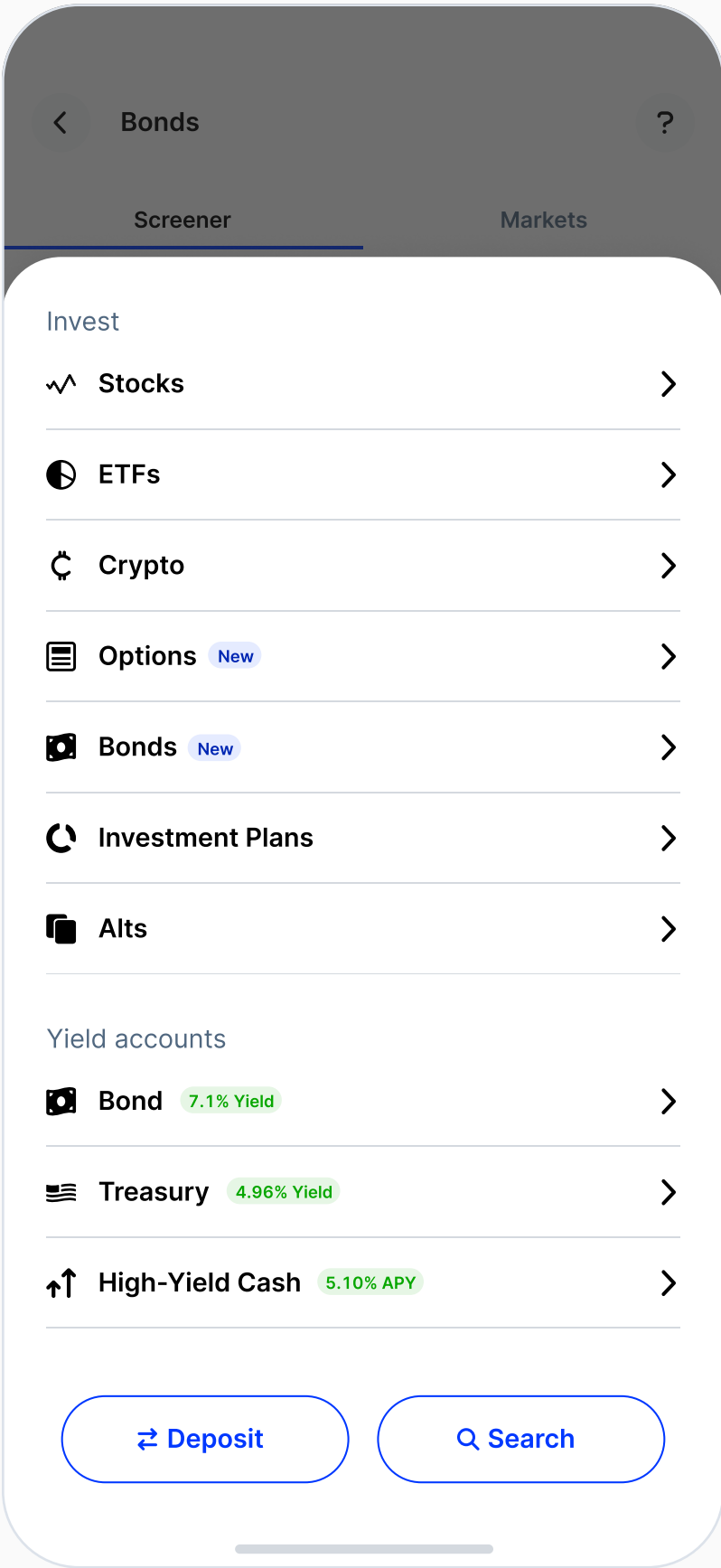
Calendar view is a visual representation of month of interest payment as well as coupon percentage.

January	February	March	April
 6.5%  7.45%	 4.38%  3.15%	 6.95%	 3.44%  7.63%
May	June	July	August
 7.7%	 8.375%  3.40%	 6.5%  7.45%	 4.38%  3.15%
September	October	November	December
 6.95%	 3.44%  7.63%	 7.7%	 8.375%  3.40%

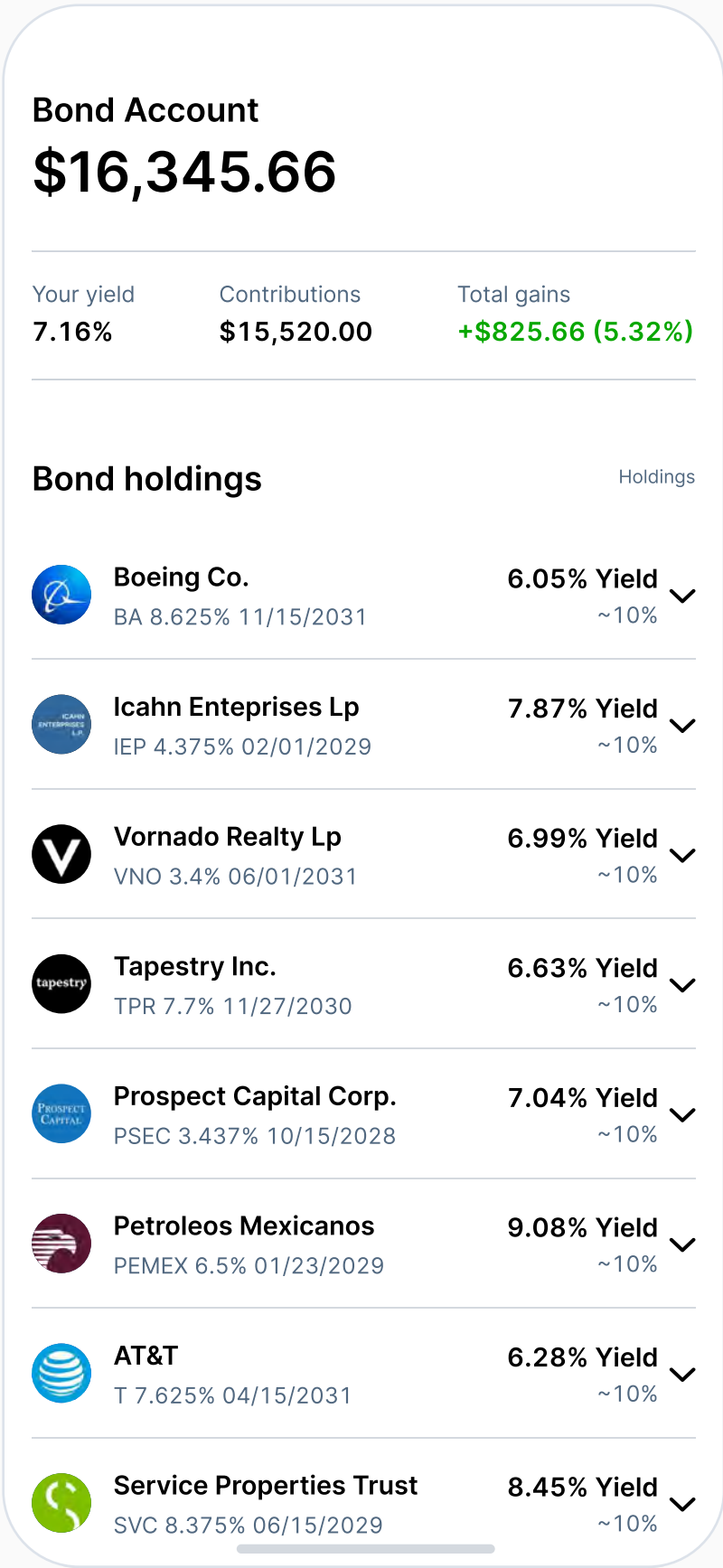
Payments are anticipated, but all bond transactions are subject to risk of missed payments or default.

How it works

Find Bond Account alongside other Yield Accounts on Public.



Deposit from a linked account or buying power. You can make a one-time deposit or schedule recurring deposits.



Each \$1,000 deposit will go toward the purchase of 10 corporate bonds. Any excess cash will remain uninvested until it reaches ~\$1,000.

How it works

public

Jodie

Portfolio

Bond Account

Treasury

High-yield 5.1%

Stocks & ETFs

Options

Bonds

Crypto

Plans

Feed

Inbox

Trade

Queue 5

Deposit

Bond Account

\$14,924.81

OverviewManage

Your yield ⓘ6.35%

Contribution\$13,703.63

Total gains+\$1,221.18 (5.32%)

Bond holdings

Boeing Co.

BA 8.625% 11/15/2031

6.05% Yield ~10%

Icahn Enterprises Lp

IEP 4.375% 02/01/2029

7.87% Yield 10.0~10%0%

Vornado Realty Lp

VNO 3.4% 06/01/2031

6.99% Yield ~10%

Tapestry Inc.

TPR 7.7% 11/27/2030

6.63% Yield ~10%

Prospect Capital Corp.

PSEC 3.437% 10/15/2028

7.04% Yield ~10%

Petroleos Mexicanos

PEMEX 6.5% 01/23/2029

\$100.00 ~10%

Buy

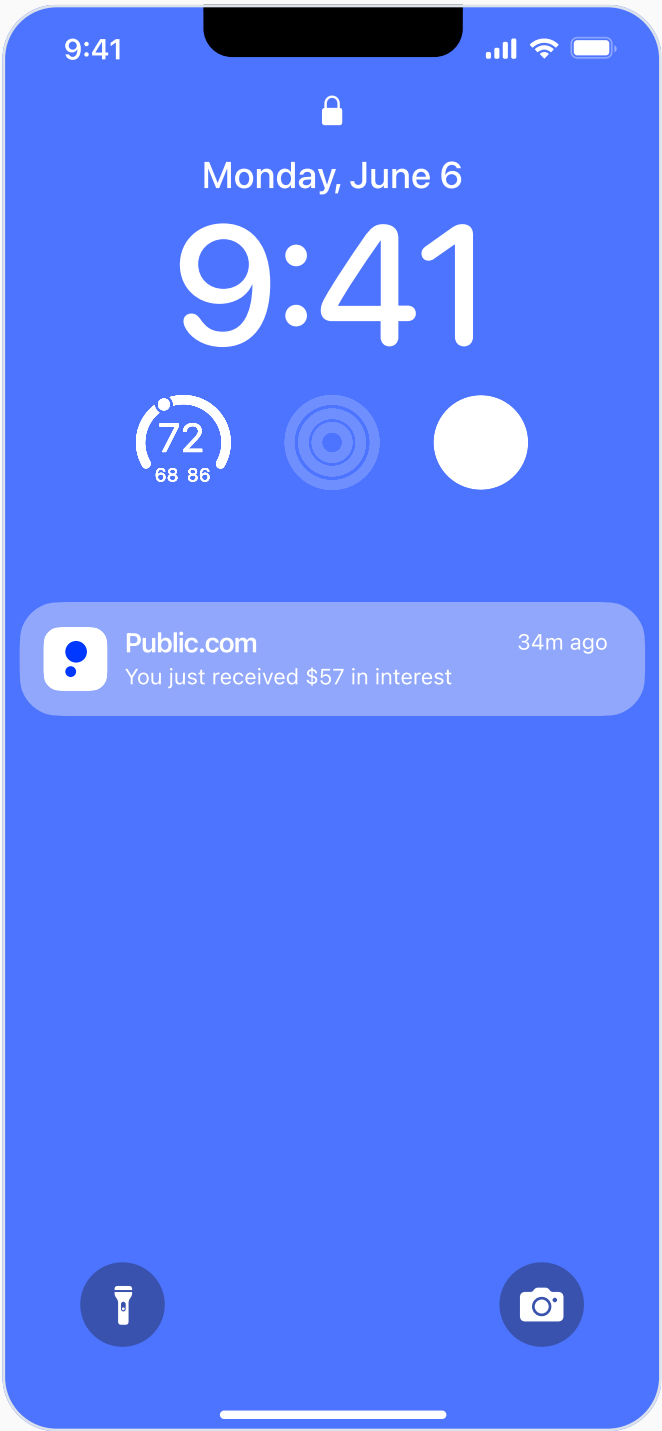
Recurring buys

Sell

Note: Public charges \$5 per \$1,000 par value of bonds invested in your Bond Account. This means that immediately after purchase, your return on the account may look negative. You can expect this to change as you accrue interest or the value of the bonds in the account increases.

How it works

You will receive monthly interest payments.*



You can see your next interest payment and projected annual income.

Upcoming income

Expected coupon payment ⓘ	\$116.66
Coupon date ⓘ	Sept 15, 2024
Estimated annual income ⓘ	+\$1,392

Bonds in the account mature within 4-7 years. You may withdraw funds at anytime.

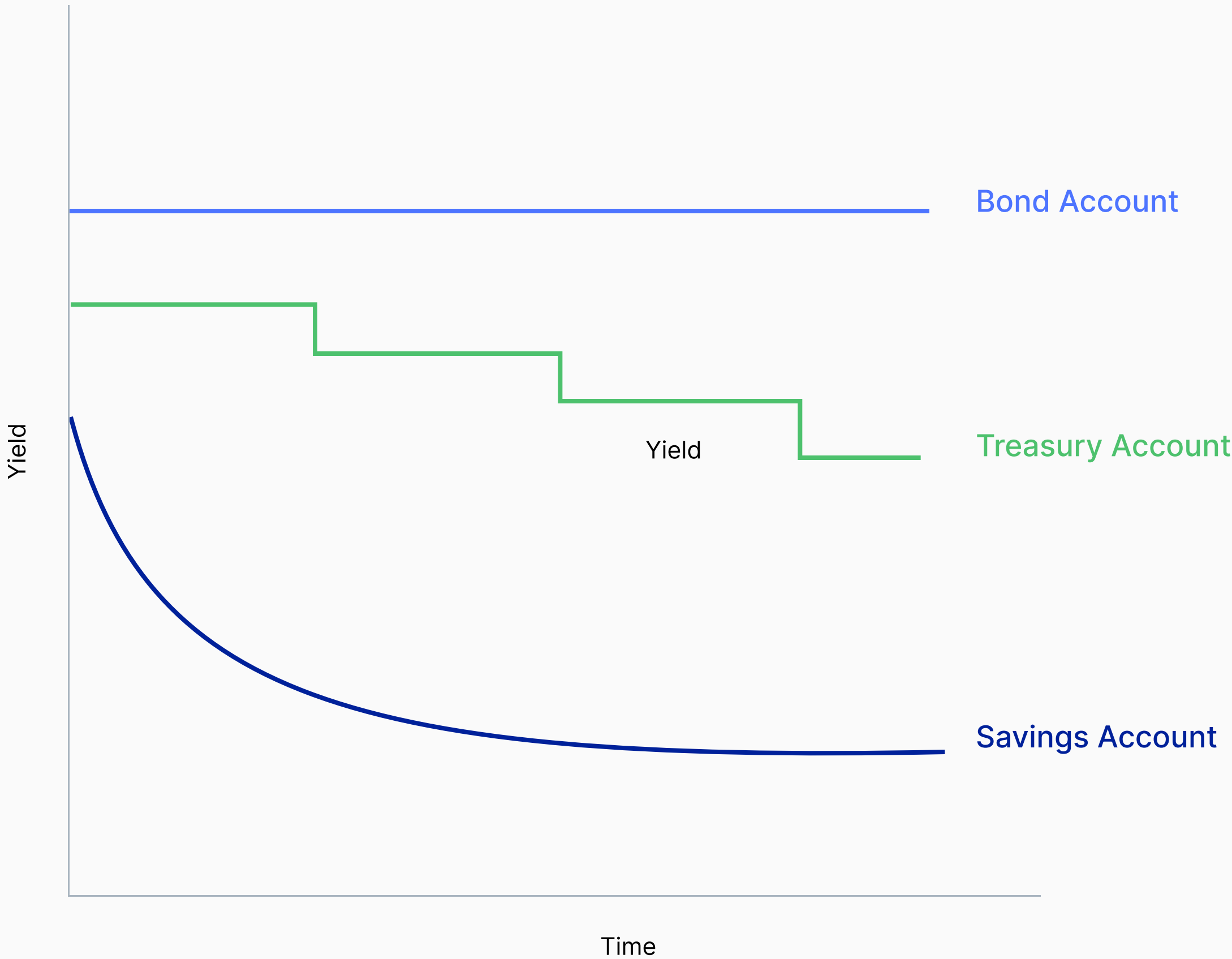
\$1,000 sell initiated
Funds may take 1-2 business day to be available in your brokerage account.

Done

* Payments are anticipated, but are subject to risk of missed payments or default by the bond issuer.
Note: Bonds in the account are subject to change. Public charges \$5 per \$1,000 worth of funds withdrawn from your Bond Account.

Locking in yields before a rate cut can mean securing higher interest payments for years

Illustrative yield in a rate cut environment



- When you invest in a Bond Account you lock in your yield at time of purchase for years to come
- With a Treasury Account on Public, you'll lock in your yield* at purchase for 6 months, the duration of the security
- Savings accounts rates are variables, and are typically correlated with the federal funds rat

* Yield to maturity is "locked in" at the time of purchase, but you can earn less than that yield if you do not hold the bonds to maturity or if the issuer defaults or calls the bond.

To recap

We may be at the end of a high interest rate environment

If rates start to decrease, yields on cash and bond yields will fall

Unlike cash and savings accounts, bond yields can be locked in* before a rate cut

Public has several ways to invest in fixed income, including Treasury Accounts, individual bond investing, fractional bonds, and a new Bond Account

With a Bond Account, you can lock in 7.3% yield** for years to come, even if the Fed cuts rates

* Yield to maturity is “locked in” at the time of purchase, but you can earn less than that yield if you do not hold the bonds to maturity or if the issuer defaults or calls the bond.

** Yield is the average annualized rate of return to maturity across all ten bonds in the Bond Account, before fees as of 8/12/2024. The yield to maturity of each bond is based on the bond’s current market price, which can fluctuate. Your yield at time of purchase may be different from the yield shown here.

Disclosures

All investing involves the risk of loss, including loss of principal. Brokerage services for US-listed, registered securities and bonds in a self-directed account are offered by Public Investing, Inc., member FINRA & SIPC. Public Investing offers a High-Yield Cash Account where funds from this account are automatically deposited into partner banks where they earn interest and are eligible for FDIC insurance; Public Investing is not a bank. Investments in T-bills: Not FDIC Insured; No Bank Guarantee; May Lose Value. Treasury accounts offering 6 months T-Bills are offered by Jiko Securities, Inc., member FINRA & SIPC. Securities in your account are protected up to \$500,000. For details: www.sipc.org. Banking services and the Bank Accounts are provided by Jiko Bank, a division of Mid- Central National Bank. For U.S. Treasuries risk disclosures, see https://jiko.io/docs/treasuries_risk_disclosure.pdf. See public.com/#disclosures-main

A Bond Account is a self-directed brokerage account with Public Investing, member FINRA/SIPC. Deposits into your Bond Account are used to purchase a set of ten investment-grade and high-yield corporate bonds, which may be fractional, in equal par value allocations. Yield represents average annualized rate of return across all ten bonds, before fees, as of July 2024. Since yield is subject to change daily, yield will be locked in at the time of purchase and may be different from the yield shown. Diversification does not eliminate risk. Bond Accounts are not recommendations of its individual holdings or allocations. Bond Accounts are not based on your needs or risk profile. You should do your own research before purchasing the Bond Account. Bond Accounts will not be rebalanced and allocations will not be updated in any way, except for Corporate Actions. See <https://public.com/disclosures/bond-account>.

Bonds and Fractional Bonds carry risks such as liquidity risk, interest rate risk, credit risk, inflation risk, loss of principal, and potential tax liabilities. Your return may be affected if you do not hold a bond to maturity, or if the issuer defaults on its obligations, calls the bond or otherwise terminates the instrument. Typically, bonds with higher yields carry greater risk of default. The bond market does not have a centralized exchange and pricing (and yields) reflect secondary trading. Bonds may be available from different brokers or dealers at prices different than those displayed. All prices are subject to change without prior notice. Public Investing earns a fee on every bond trade. Fractional Bonds also carry additional risks including that they are only available on Public and cannot be transferred to other brokerages. See risks:

<https://public.com/disclosures/fixed-income-disclosure>

<https://public.com/disclosures/apex-fractional-bond-disclosure>

Securities investments: Not FDIC Insured; No Bank Guarantee; May Lose Value.