

# THINGS TO KNOW ABOUT INVESTMENT-GRADE BONDS

Acknowledged by many as a safe and sound investment option, bonds are a popular investment instrument. It may not hold the popularity of stocks, but it is one of the best available investment options when it comes to fixed income groups.



## Basics of Bonds

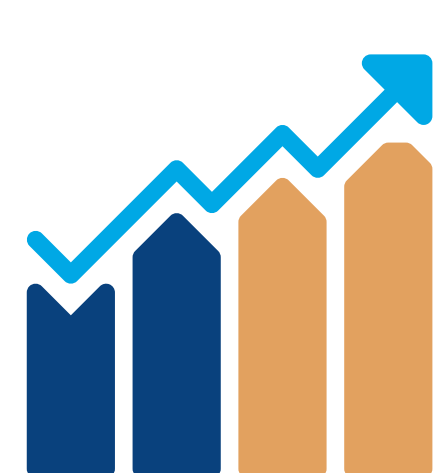
- 1 Typically, bonds are loan agreements between bond issuers and investors that are generally issued by corporate houses and state, local, central, or national government bodies.
- 2 Referred to as fixed-income securities, bonds are debt instruments issued in the market to raise capital or funding.
- 3 Bondholders are entitled to an annual fixed income at a pre-decided rate and to get the principal back at the end of the maturity period.



## Types of Bonds



**Corporate Bonds**



**High-Yield Bonds**



**Municipal Bonds**



**T-Bonds**



**Investment-grade Bonds**

## What are investment-grade bonds?

With all the essential characteristics of a corporate bond or a municipal bond, these bonds come with a trustworthy credit rating from reputed rating agencies.

Investment-grade here refers to the rating provided by reputed and credible rating agencies, confirming the quality of the debt issued by the company or a municipal body.

### FACTORS THAT DETERMINE RATING OF THE BONDS

- Financial strength of the company based on its financial statements
- Debt repayment capacity of the company
- The quantum of debt obligation already present in the books of the company
- The company's debt repayment history
- The historical record of profitable growth achieved by the company
- The future growth potential