Don’t Judge a Bond by Its Coupon

The Issue at Hand by Madison Investments

Current Yield Formula

Madison INVESTMENTS

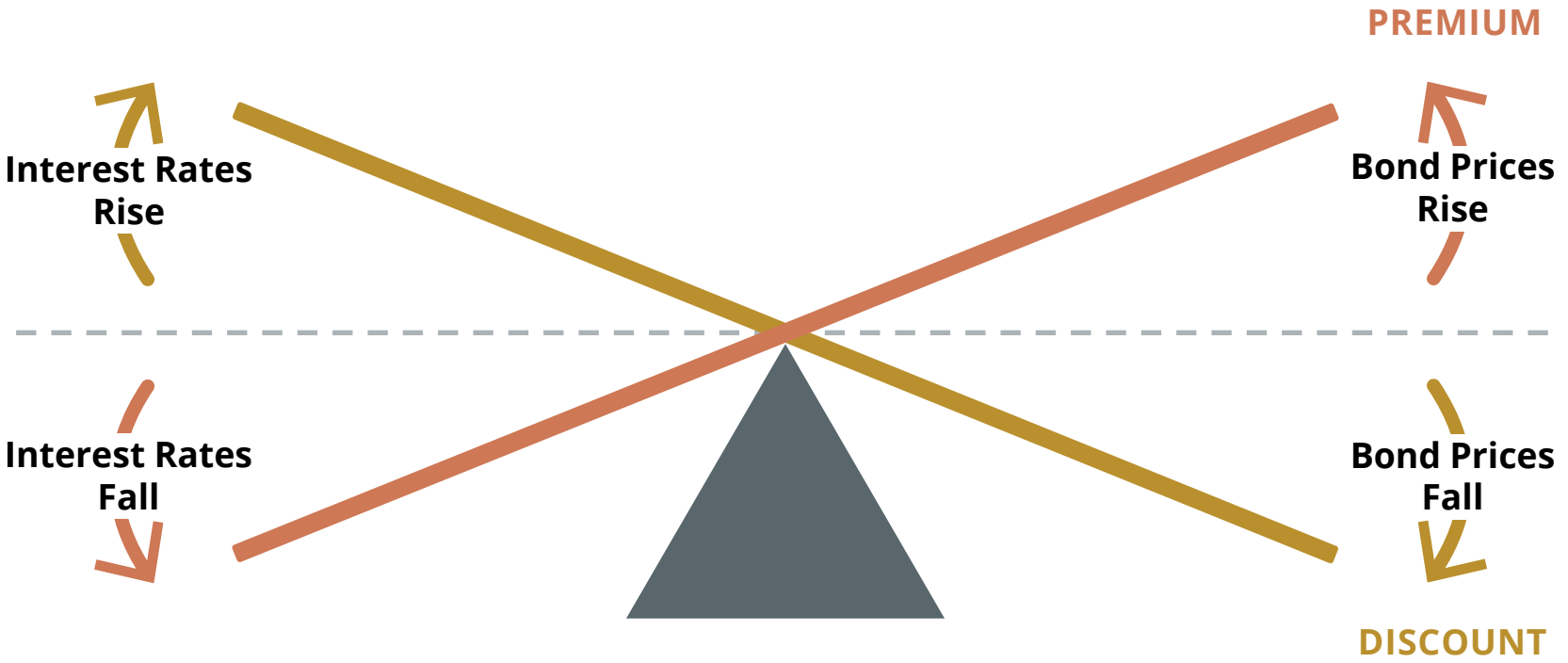
CURRENT YIELD FORMULA

$$\text{Current Yield} = \frac{\text{Annual Interest Payment}}{\text{Market Price of Bond}}$$

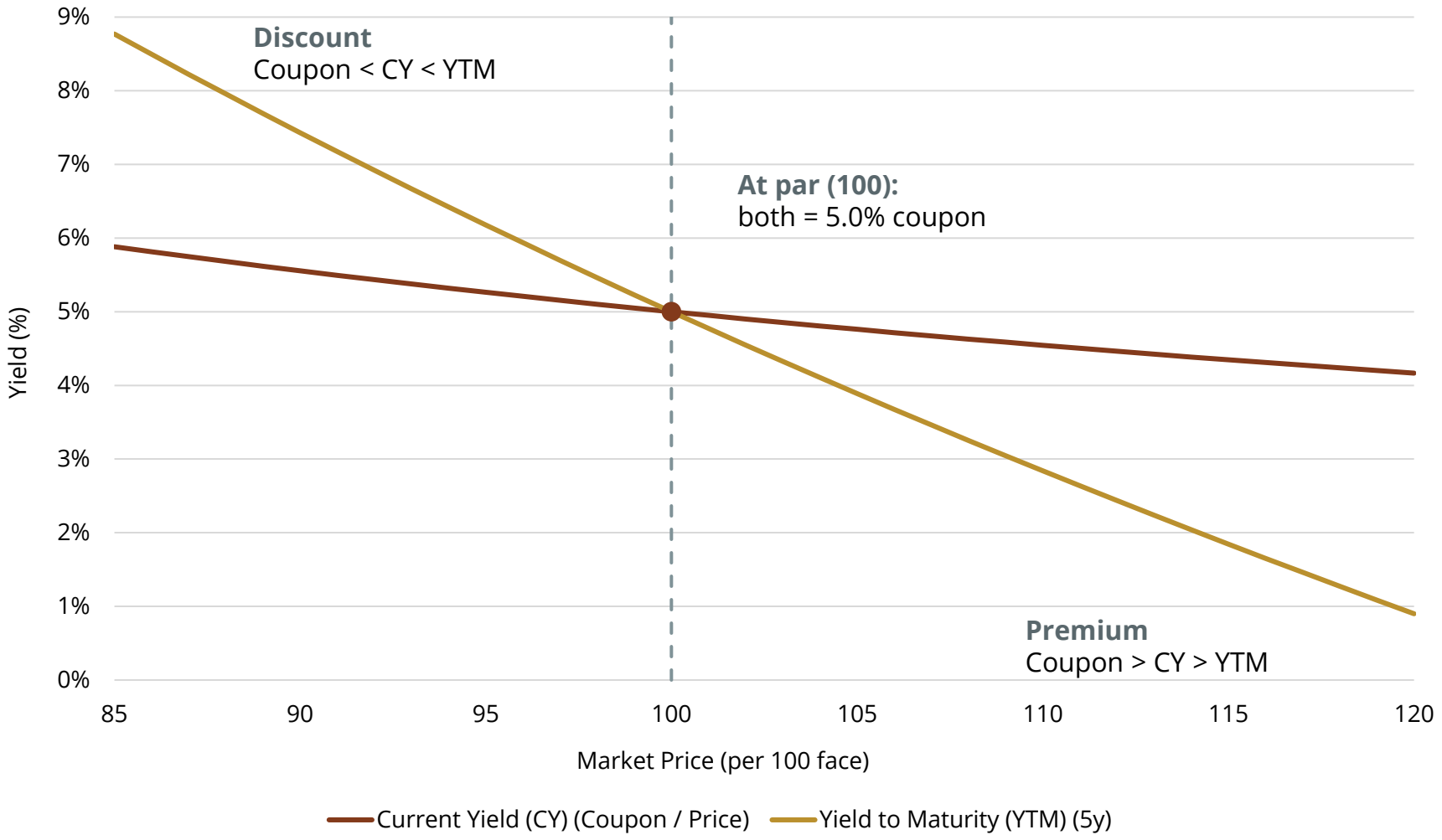
CURRENT YIELD EXAMPLE

$$\text{5\% Current Yield} = \frac{\text{\$5 Annual Interest Payment}}{\text{\$100 Market Price}}$$

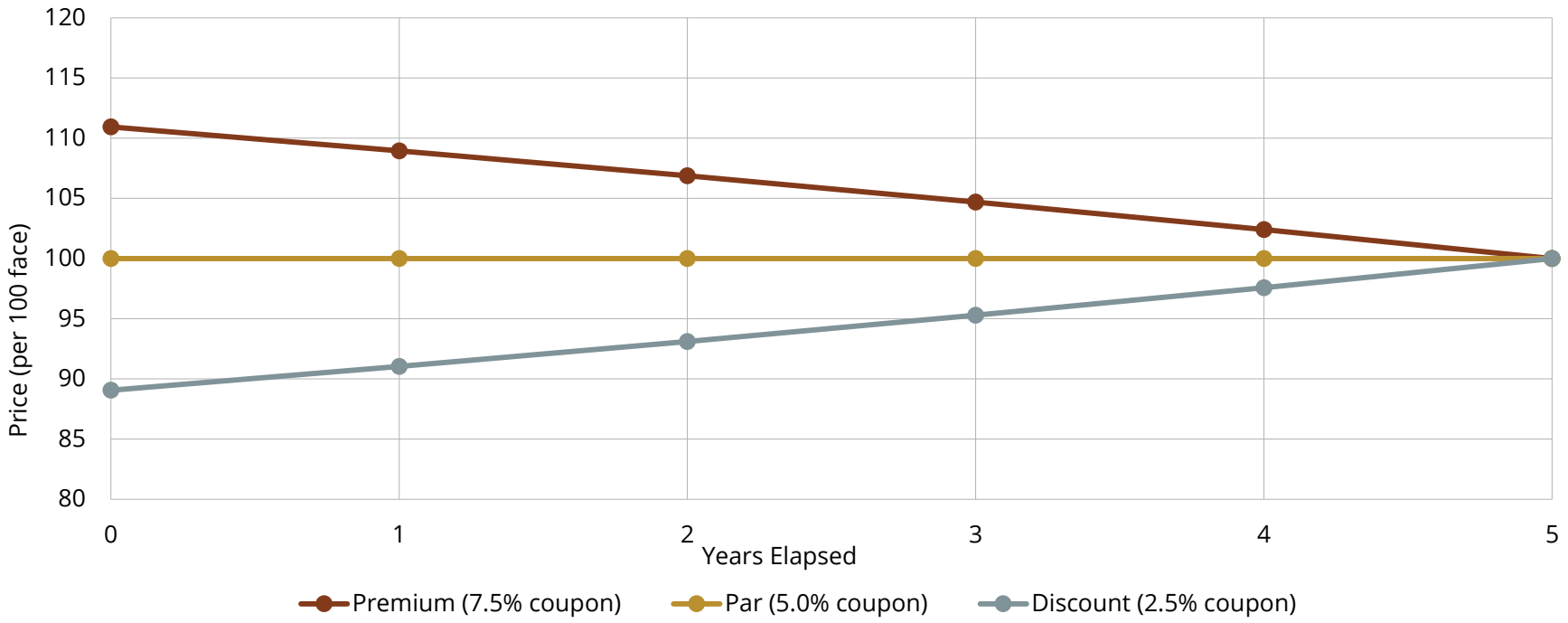
Price vs. Yield



Current Yield vs. Yield to Maturity



Pull to Par – Price Convergence Over a 5-Year Life



BOND	YEAR	BEGIN PRICE	END PRICE	Δ PRICE	COUPON	$ RETURN	RETURN %
Premium (7.5% coupon)	5-yr	110.94	+100.00	-10.94	+37.50	26.56	5.0%
Par (5.0% coupon)	5-yr	100.00	+100.00	0.00	+25.00	25.00	5.0%
Discount (2.5% coupon)	5-yr	89.06	+100.00	10.94	+12.50	23.44	5.0%

Disclosures

"Madison" and/or "Madison Investments" is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC ("MAM"), and Madison Investment Advisors, LLC ("MIA"). MAM and MIA are registered as investment advisers with the U.S. Securities and Exchange Commission. Madison Funds are distributed by MFD Distributor, LLC. MFD Distributor, LLC is registered with the U.S. Securities and Exchange Commission as a broker-dealer, and is a member firm of the Financial Industry Regulatory Authority. The home office for each firm listed above is 550 Science Drive, Madison, WI 53711. Madison's toll-free number is 800-767-0300.

Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security and is not investment advice.

Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

Although the information, including index information, in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in the report constitute the authors' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

In addition to the ongoing market risk applicable to portfolio securities, bonds are subject to interest rate risk, credit risk and inflation risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Credit risk is the possibility that the issuer of a security will be unable to make interest payments and repay the principal on its debt. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer.

Current Yield is a snapshot measure of yield, measured by coupon divided by current price.

Par Value is the face value of a bond, which is set by the issuer and remains fixed for the life of the security. Par value indicates the bond's maturity value and the dollar amount owed to the bondholder at maturity.

Yield to Maturity is the rate of return on a bond calculated on the basis of purchase price, redemption price, the total interest payments, and the number of months or years until maturity. The yield to maturity is greater than the current yield when the bond is selling at a discount, and less when the bond is at premium.

Madison-995773-2026-09-02