METAPOINT

Invest Wisely®

Greetings!

What you think is your safest investment may actually be your riskiest... Yesterday, noted bond expert Bill Gross tweeted that the, "bond bear market" had begun as the 10 Year Treasury Yield surpassed 2.55% and 25 year trend lines had broken.[1] Has your portfolio and 401k plan options been updated to reflect a new era of rising US interest rates? -- most haven't... Check out my recent interview in the Wall Street Journal: "Bonds vs. Bond Funds: A Distinction Wealth Advisors Should Explain."[2]

If you own a target date fund or have a diversified portfolio of funds or ETFs, chances are you that you own bond funds. If you are invested in US bond funds, you are likely to lose money as US interest rates rise. Most financial advisors and robo-advisors have yet to notice, let alone adapt their recommendations to this reality.

Millions of Americans own more than $4 trillion in bond funds[3] and many do not understand the risks inherent to them. 98% of 401K plans offer US bond funds and 75% offer target date funds.[4] Yet, bond fund prices fall as interest rates rise. Case in point, when rates increased in December 2016, the biggest US bond fund AGG lost -4%.[5] Most retirement plans, many financial advisors, and almost all robo-advisors use bond funds as their "conservative" choice for employees and clients – but bond funds are unlikely to protect your hard-earned principal as interest rates rise.

Greenspan has warned about a bond bubble – but, until now, nobody has publicly raised the issue of a $4 trillion bond fund bubble. While others have advised against bond funds as an investment, I believe my white paper on my website is the first to highlight this critical risk at a systemic level. Bond funds are synthetic vehicles and the explosive growth of this sub-asset class may have become a systemic risk unto itself. The 2008 crash was caused by the unwinding of a synthetic product – in that case collateralized mortgage obligations – which had ballooned because investors had little awareness of the underlying risks. Many retail investors who are invested in bond funds don't understand their risks.

If you have received this email, we have met in person previously and you have given me your business card. I was previously at Merrill Lynch, but have left to start my own wealth management firm Meta Point Advisors where I am able to write about such critical issues. I previously worked on Wall Street and in London and advised the world's top fund managers on their investments in emerging markets and the US. While at Harvard, I wrote a paper on women in business presented at the World Economic Forum and, previously, on artificial intelligence for DARPA program managers. My investment talks to Harvard alumni have been well-received and I'd like to bring my insights to a larger audience.

I hope you take the time to read my new white paper at http://www.metapointadvisors.com/ **and think about how this little-mentioned risk could impact you or your employees.** I would appreciate your feedback as this is my first missive and I hope to improve as I build out my business. I would also be happy to speak with you on an individual basis about your own investment concerns.

Best regards,
Maya

Sources:

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3. 2017 Investment Company Factbook. 57th Edition. www.icafactbook.org. P. 8.
4. 2017 Investment Company Factbook. 57th Edition. www.icafactbook.org. pp. 69, 143, and 172.
5. Bloomberg data. Quarterly data showed AGG US value of 112.42 on 9/30/2016 and 108.06 on 12/30/2016. Accessed 11/1/2017.

The opinions expressed are those of the author and not necessarily those of Lincoln Financial Advisors Corp. CRN-1986067-010518

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