IceCap
Asset Management Ltd.

Local heritage,
Global experience.

Our view on global investment markets:

April 2015 – Right on Target

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How do you like them apples?

Switzerland (1307) Talk about pressure – you could cut it with a knife, or in this case, pierce it with an arrow. From 50 paces away, no one could tell who was more nervous, the red faced boy or the red faced apple. One thing was certain, the oncoming arrow would soon make a legend out of one of them.

Luckily for the boy, the apple lost and his father won – William Tell was *right on target*.

Canada (1985) Hazy smoke and stale ale filled the air, and his opponents rocks filled the rings. Al "the Iceman" Hackner had one last shot at curling glory, and to be crowned champion he would need to execute a near impossible double-raised takeout.

Luckily for 100s of Northern Ontario curling fans, the impossible became the possible – Al "the Iceman" Hackner was *right on target*.

United States (1993) The mid-night oil was burning faster than the batteries in their calculators. The financial wiz-kids desperately needed to create a new product to attract millions of investors and their billions of dollars.

Over 20 years later, these millions and billions are about to discover that their Target Date Mutual Funds and their Lifecycle Mutual Funds are about to *miss the target*.

And when we say *miss*, we mean *really miss*.

What planet are you from?

Fiction and fantasy worlds are certainly enjoyable and entertaining. If you think about it, there's nothing better than escapism and being able to go to a place to forget or to avoid the unpleasantries of life.

We've all experienced these worlds in books, big screens, small screens and even privately in the space between our own little ears.

Unfortunately, the investment world and our global economy has been pushed, squeezed and throttled into such an unrecognisable state, that most people are unable to distinguish between monetary fantasy and good old fashion reality.

There is some good news – but one must first recognise what is real and what isn't. Once this occurs, you will see that there are epic distortions in the world. Once you free your mind to think outside of the Wall Street/Bay Street/Threadneedle Street box, you will see that we are indeed in the late stages of a global government bond bubble.

Better still, once you realise this bubble will break it becomes crystal clear that many bond investments and companies tied to the bond market will not do very well at all.

And this is the foundation and starting point in understanding the severe risk inherent in Target Date & Lifecycle Mutual Funds.

White shoes, white socks & white belts

Yet, the biggest irony of them all is that not all Target Date and Lifecycle Funds are at extreme risk of severe losses.

The irony is that the Target Date Funds and Lifecycle Funds that are sold as the most conservative funds are actually becoming the most risky funds.

The reason for this paradox, is that the investment theory used in the foundation of these mutual funds fundamentally believes that bonds are always safer than stocks in the short-run.

This is crucial, because investors in these funds who have specifically chosen conservative fund profiles - in other words, the funds with a near term "maturity date" – are actually jumping head, hands and feet first into the eye of the coming bond market monster.

And when they hit this monster – it won't make sense, and worse still, it won't be pretty.

Perfect Failure

You can accuse the investment industry of being many things, but you can never accuse it of being boring or unimaginative. In fact, behind all of those commercials of setting suns, walks on the beach, and gentle breezes in your sail, lies a cut throat business full of competitors willing to throw anyone under a bus simply to convince you to buy their latest investment product.

In just the last 10 years alone, we've all seen many new products to attract your money – Chinese stocks, software stocks, internet stocks, currency hedged funds, currency non-hedged funds, MBSs, CDOs, CMOs, condos and on and on and on.

And without a doubt - the single, most successful, and most profitable product to ever hit investors right between the two eyes was not a specific stock or strategy, but rather a concept.

It sounds simple enough, yet as the world continues to spiral deeper and deeper into the biggest bubble ever created, this concept is perfectly set-up to fail and to make lives miserable for all of those investors, advisors and consultants who continue to steer hard earned savings into this faulty structured concept.

On the face of it, Target Date Mutual Funds and Lifecycle Mutual Funds are a brilliant concept. Investors simply choose how many years they are away from retirement, or some other financial goal, and then they buy the mutual fund with that date attached.

Looking to retire in 10 years – just stock up on white shoes, white socks, and white belts, and buy the 2025 Target Date Fund.

Better still, need to save for that dream home that you'll buy in 5 years – the 2020 Target Date Fund is perfect for your perfect future home.

Investing *isn't* this simple

Or maybe, your little ones are off to university in 15 years – the 2030 Target Date Fund will ensure they have plenty of money for books, tuition and hangin' with new friends.

It all sounds perfect enough, except for one thing - the widely accepted financial foundation used to crank out these funds is about to crack. And when this happens, many will kiss their future white shoes, their future perfect home and their future new friends good bye.

Originally, to get these dream funds launched, everyone agreed that over the long run, stocks always outperform bonds.

And, everyone also agreed that over the short run, bonds are always safer than stocks.

It is this simple concept, that has made hundreds of millions of dollars for the creators of Target Date Funds and Lifecycle Funds. The attraction with these funds is that as you get closer to the date of your financial goal, the fund automatically decreases its exposure to the stock market and increases its exposure to the bond market.

In effect, Target Date Funds and Lifecycle Funds age as you age. After all, when you are young you can tolerate large fluctuations, in exchange for larger returns. And then as you become older and you can no longer ride the stock market roller coaster, you have significant more money in bonds.

Maybe investing really should be this simple – but it isn't.

To fully understand why these funds, their investors and their sales people are headed towards a nasty hornets nest, one must first come to accept that the basic premise of these funds is complete, utter nonsense.

What we mean by this is that, bonds are not always the safest investment over the short run.

Think about this for a moment.

We've always been told the opposite. And, everyone selling mutual funds today will tell you that during their long, successful career stocks have always outperformed bonds, but there are obvious risks attached.

Only in this case, "obvious" isn't obvious enough, and even more obvious – no one in the investment business today, has ever experienced the bubble in which we float around in today.

Let us explain.

All the time, is a very long time

Buy high, Sell Low

Financial bubbles happen all the time – *all the time*.

Yet, at the very point when hindsight proves the respective bubble was so very obvious – so few people actually see it.

Worse still, many in the investment world can see these bubbles at the time, yet they are unable or unwilling to act.

Chart 1 (next page) shows how the **tech-bubble** looked and felt just prior to bursting.

First, note the sharp acceleration in the graph. Bubbles often reach their zenith with one final surge to near vertical heights.

Next, notice the sky-high valuation of tech stocks at the time. The PE ratio of 107x means investors were willing to pay $107 for every $1 of earnings.

Considering today investors are willing to pay $20 for every $1 of earnings, $107 is pretty expensive stuff – over 5 times more expensive than what stocks are valued at today.

Finally, and admittedly our favourite – note the comments from the manager of the Alliance Growth & Income Fund. We all make mistakes, but for Alliance to literally claim there were "tons and tons and tons of incredibly cheap stocks" at the exact top of the tech bubble was certainly astonishingly incorrect.

Naturally, it's pretty easy poking fun at the tech bubble 15 years after it popped. Nonetheless, markets move in big cycles and the silliness of bubbles are always repeated. Amazingly, this silliness was repeated in the housing bubble a mere 6 years later.

Chart 2 (page 6) shows the craziness behind the **housing bubble**. On a national level, American house prices soared over 30% in just a few short years. Considering the average annual gain prior to the crisis was 3%, this 10x increase should have had someone questioning the absurdity.

Yet, they didn't. In fact, even Ben Bernanke – the Chair of the US Federal Reserve said he didn't see anything wrong with the housing market. As shocking as that sounds, even more shocking was his comment that since the US has never before had a decline in housing prices on a national level, then it could never, ever happen.

Well, if something has never happened before and the, supposedly smartest financial person in the country said housing wasn't in a bubble, then it must have been true.

But it wasn't.

In fact, it wasn't even close. Yet, now and in hindsight once again the obvious was so obvious.

Chart 1: US Technology Bubble

<u>Despite crystal clear evidence</u>:

- At the peak of the technology stock market bubble, most people did not see the bubble.

- Only in hindsight was the obvious, obvious to everyone.

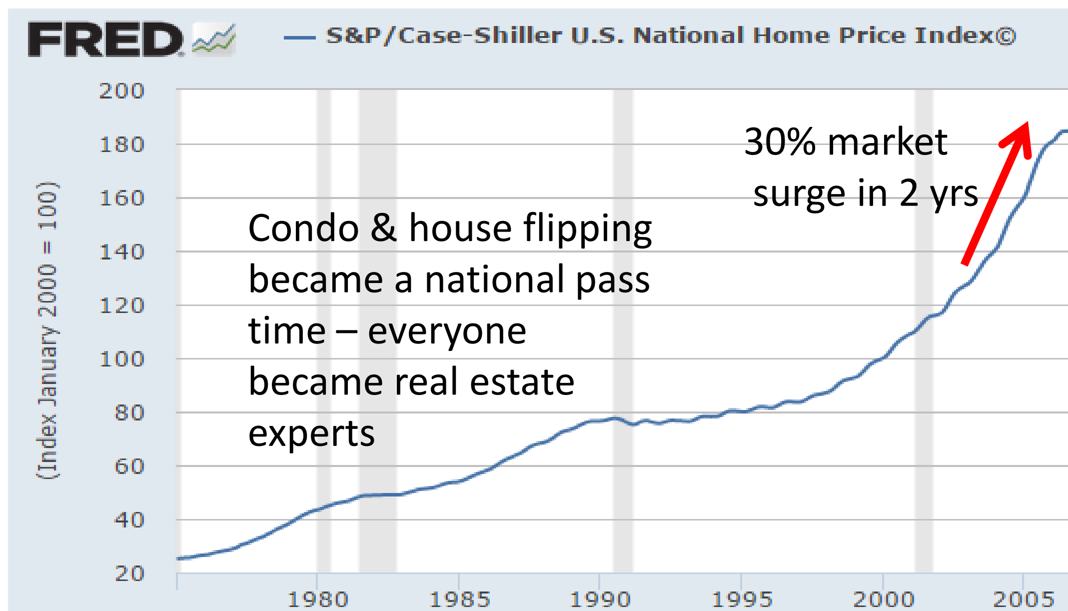
<u>March 6, 2000</u>

"I am looking at tons and tons and tons of incredibly cheap stocks... "

$4.2 billion Alliance Growth & Income Fund

Source: CBS MarketWatch

Chart 2: US Housing Bubble



<u>Despite crystal clear evidence</u>:

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- Only in hindsight was the obvious, obvious to everyone.

<u>July 2005</u>

“Well, I guess I don't buy your premise. It's a pretty unlikely possibility. We've never had a decline in house prices on a nationwide basis. So what I think is more likely is that house prices will slow, maybe stabilize: might slow consumption spending a bit. I don't think it's going to drive the economy too far from its full employment path, though... ”

Ben Bernanke, Chair of US Federal Reserve

Buy-buy-buy

Which brings us to the biggest bubble ever created in the world – the government bond market.

We're going to need a bigger boat

The stock market is big, but the bond market is bigger – a lot bigger. In fact, studies (McKinsey) show the bond market as being 3 times bigger than the stock market. And when we say big – we mean to the tune of over $160 trillion big. Yes, it is a big number.

Yet, this ginormous pool of money rarely gets mentioned in the press, or given any airtime by any big bank analyst or portfolio manager. In some ways, it shouldn't be surprising that the stock market thumps the bond market in media and big bank coverage – after all, who wants to hear about basis points, yields and spreads when instead you can sink your teeth into Apple Watches, and any fast food item owned and eaten by Warren Buffet.

But, just as every dog has his day – so too does the bond market. In retrospect, the lack of relative popularity for bonds hasn't been helped by the fact that every investor today has been charmed by the greatest stock market cycle ever created.

We've often written that the 1982-1999 period was the single greatest stock market experience for anyone who could scream "buy-buy-buy."

The +1,214% total return during this period has been etched, stamped and tattooed into everyone's psyche making this investment experience the foundation of everyone's investment belief system.

It should be no surprise then, that the stock market returns from this period were so strong that they completely distort all historical research and modeling for the investment industry.

Depending upon your perspective, 1982 to 2015 could either be a long period of time, or alternatively, this 23 year span could quite simply be a blink of the eye.

Better still, imagine we were all born 30 years earlier. As groovy as this may sound, the -10% total loss between 1966-1982 would have completely altered your expectations for stock market returns.

This is important because the downfall of the investment industry, is that the research used to support new products and services isn't always based upon correct data, or worse still – it is based upon a too short of a time period.

In fact the single biggest problem with the investment industry is not innovation – this should be cheered. Rather, the problem occurs when innovation is "*back-tested*" to prove its metal.

The reason "back testing" is a dangerous problem is primarily due to the unintentional consequences of data-mining, or the deliberate process to find data patterns to support your original idea.

Go ahead – convince yourself

In other words, data mining is the process whereby you want to believe in something so bad that you convince yourself you've discovered historical data to support your pre-conclusion.

To make it even simpler – most back-tested studies are purely linear in nature. They are not structured to comprehend all the variables affecting the desired outcome, and worse still – the periods studied are usually extremely short in nature.

Case in point, today we see many new funds and strategies based upon historical data back to the year 2003. Worse still, other research is only using 5 year data to support their conclusions – this is not good, nor deserving of your 2% management fees.

Recently we were meeting with a prospective new client and during the meeting we talked a lot about how the investment industry will often use 1982 as its starting point to show how their newly created mutual fund would have performed in the past.

The lady nodded in agreement that what we said made sense, but then she also wanted to show us the really nice, glossy brochure given to her by her current advisor. The package looked really nice on the outside, but when one closely read the details of this fund being recommended, what jumped out immediately was that the back-dated starting point was – you guessed it, 1982.

The point we make is that an awful lot of investment research is incomplete, and unfortunately it is the foundation for the innovation and creation of many new products sold to the unsuspecting public.

And this brings us to the bond market – and the reason why we are warning investors about the risk in certain Target Date Funds and Lifecycle Funds.

Undoubtedly, whether you realise it or not, the single biggest investment risk in the market today is that of governments defaulting on their debt.

The reason why trillions have been thrown at European countries – the fear of governments defaulting on their debt.

The reason why no one wants the US Federal Reserve to raise interest rates – the fear of emerging market countries defaulting on their debt.

And finally, the reason for all of the fear mongering directed towards Europe's new political parties – the fear of these new governments defaulting on their debt.

Our February 2015 market outlook detailed previous instances when governments defaulted on their debt. Several points are notable:
1) There have been 100s of government debt defaults
2) Defaults have occurred across all forms of countries – big and small
3)The last time major countries simultaneously defaulted on their debt occurred over 80 years ago.

700 years is a long time

All 3 points are important, but # 3 is especially important because it completely shows why most current investment studies and fund research does not include the possibility of the world experiencing a bond bubble, or worse still – the possibility of governments defaulting on their bonds.

Remember – the housing bubble and the tech bubble were problems in the private sector, not the public sector. It is absolutely wrong to research these two recent bubble for clues as to what is happening today.

Instead, we must understand that the bubble in government bonds has been building slowly over an 80 year period, and today we are seeing its final, crescendo. The fact that no one is working today who was alive the last time this happened, does not mean it cannot happen again.

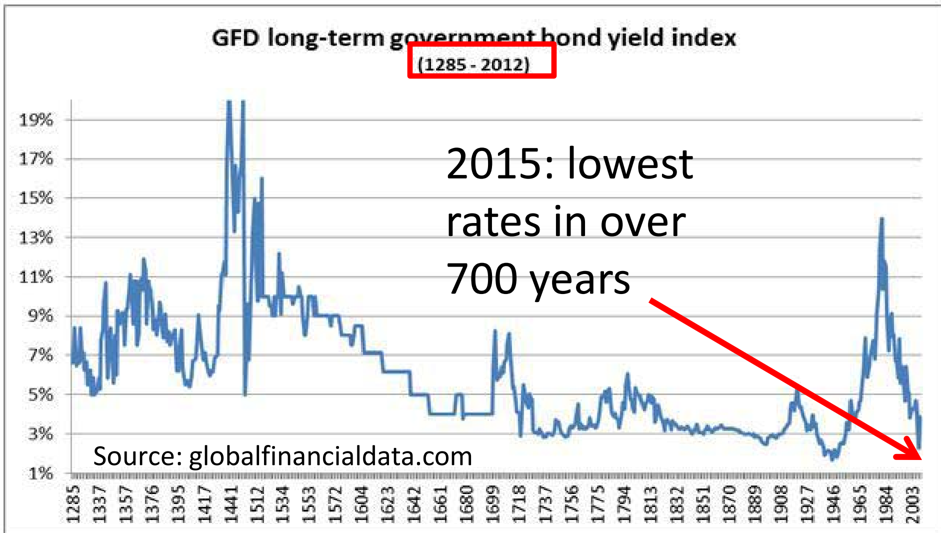
Instead, we ask you to think and consider the current state of the bond market.

The Bond Bubble

Just as tech stocks and housing reached astronomical heights, so too has the bond market. **Chart 3 (this page)** shows 730 years of historical bond yields. Not 5 years, not 10 years but 730 years of pricing – that's a long time.

First, note that the chart shows bond yields, which all else being

Chart 3: government bond yields over 730 years



equal, is the return you would get for holding the bond to maturity. Also note that as the yield of a bond decreases, the price of the bond increases. Effectively – down is good, up is bad.

Next, see that the chart stops at 2012 – since then, bond yields have declined even lower. As of today, 10 year Government Bond Yields are as follows:

USA	+1.8%	Canada	+1.4%
Germany	+0.1%	Britain	+1.7%
Japan	+0.3%	Switzerland	-0.2%

Another way to interpret this data, is that governments are currently

Money is on sale

able to borrow at the lowest rate ever recorded during the last 730 years.

Many will say this is neat – money is on sale, therefore governments (and companies and individuals) should borrow as much as they can, as often as they can.

In reality however, this isn't neat in fact it is messy. Buying money, or borrowing, is not the same as buying a shirt or a steak dinner. The shirt and steak dinner are both consumed, and once gone – it is gone.

When you borrow money, you are really taking future spending and bringing it to the present. The debt it is never gone until you repay the loan. For individuals, this is usually the case. However, for governments it is not the case and let us explain why.

Governments continually run deficits, meaning they regularly spend more money than they receive in tax revenues. To meet this difference, governments have to borrow.

Year after year, deficit after deficit rolls bye, and this is what has created the gigantic mountain of debt around the world.

The reason this is a very big concern today (and this is critical), is that governments have to borrow new money to simply repay old loans that are coming due.

Now, where it becomes interesting is what happens when interest rates suddenly increase from current levels?

Chart 3 (previous page) shows that interest rates are at their lowest levels in over 700 years. Plus, many countries are currently borrowing close to 0%.

The question to ask your financial advisor is as follows: What happens to the world when the price Germany has to pay to borrow, increases from +0.4% to 3.4%? What about to 6%? Or 8%?

Obviously, the amount of tax revenues Germany has to allocate to expenses increases substantially. Which in return, means there is even less tax revenue available for real spending – you know, healthcare, education, transportation and technology.

Instead, as interest rates increase, by default the budget deficit increases as well.

But the other more dangerous affect of this scenario is how the bond market actually prices bonds. All bonds in the world are priced relative to either US Treasury Bonds, or in Europe, relative to German Bunds.

So, when Germany's cost of borrowing increases, the cost of borrowing for peripheral European countries will actually increase even more.

Pick a country, any country

With Italy, Spain, Portugal and France currently struggling with near 0% interest rates, what do you think happens when their interest rates shoot up to 7% or higher?

We'll give you a hint – ***KABOOM***.

What makes the current global debt crisis epic, is that it is truly global. Practically every country in the world has borrowed, borrowed and borrowed, and then borrowed more.

This isn't an American debt crisis, nor a Italian debt crisis and so on. It exists right around the world. Pick any country, do some research and you'll see the following combination:
- Deficit spending to stimulate the economy
- Increasing debt due to deficit spending
- economies are not growing
- which results in even more deficit spending
- and even more debt

Next column is a snapshot of China's debt to GDP: in addition to increasing to a staggering 282% of GDP, note how total debt has increased from $7.4 trillion to over $28.2 trillion in just 7 years.

Of course, debt bubble deniers will say that China can grow its way out of its debt problem.

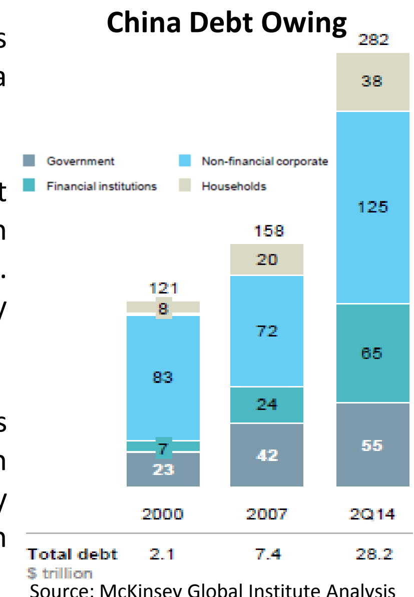
Well, this isn't true either. In fact, China's economic growth rate has fallen from 15% to 7%. That's quite a drop.

As well, if China was growing out of its debt problem, the chart would show a declining number.

Other countries show the same debt stories. Italy has the 3rd most debt in the world behind the USA and Japan. Below is a snapshot of Italy's money owed from 2007 to 2014:

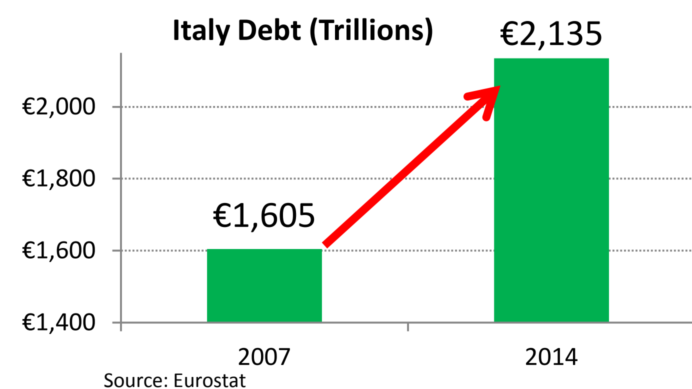
It's fairly easy to see that Italians everywhere now owe EUR 500 billion more since 2007. It's also pretty easy to see Italy's economy has been in recession for 5 out of the last 7 years.

China Debt Owing



Source: McKinsey Global Institute Analysis

And it's also easy to see that Italy's unemployment amongst its youth has increased from 20% to 45% over the same time.



Source: Eurostat

Down is Up, and Up is Down

And, just to keep things straight, it's also easy to see how Italy continues to spend more money than it collects in taxes.

In fact, the last time Italy spent less money than it collected in taxes was – **never**. We've seen data back to 1990, and as far as we can tell not once has Italy run a surplus. Feel free to share more data with us.

Considering Italy has NEVER run a budget surplus, how on earth can it EVER reduce its debt owing? It's mathematically impossible, unless of course it does what practically every country has done at some point in time – default on its debt.

For Italy, it's only a matter of when, not if, it will default on its debt.

Yet, considering all of the above, it isn't easy to see why the IMF, the European Union and the European Central Bank believes Italy has recovered from its debt crisis.

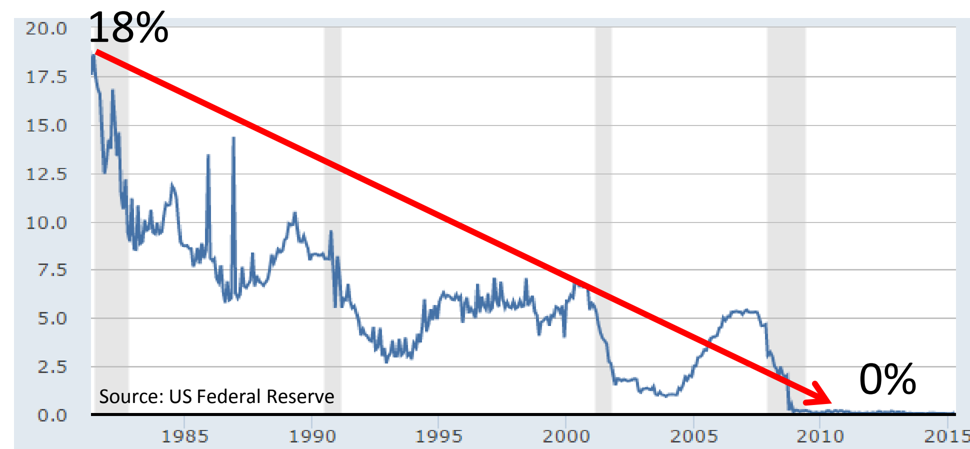
More worrying is that many other countries are in similar positions.

Interest Rates

Even more important however, is understanding the impact of interest rates. **Chart 4** shows the history of US over night interest rates since 1982(!).

Just 2 things to note from this chart. First, every single time there was a crisis, interest rates were reduced to help stimulate the economy,

Chart 4: US Federal Funds Rate



Second, there have been so many crisis and so many rate reductions that today we find ourselves with interest rates at ZERO %.

Yes, 0%. And we've seen this seemingly impossible rate now for over 6 years running. Incredible indeed.

And with interest rates declining from 18% to 0%, which investments do you think have performed exceptionally well? Answer – bonds.

Recall that when interest rates decline, bond prices increase. And, considering we are at 0%, which direction will interest rates most likely move next? The answer of course is – up.

Stop being so negative

Putting it all together

Considering:

1) governments are unable to eliminate deficits
2) global government debt is increasing exponentially
3) 0% interest rates are allowing governments to borrow more to pay off old loans and fund deficits
4) Global growth is declining despite money printing and bailouts

And, we've saved the latest and greatest fact for last: as stunning as 0% interest rates sound, the mathematically-challenged-fantasyland called Europe has just one upped everyone by introducing NEGATIVE INTEREST RATES.

As of writing, over 25% of all bonds issued by European governments has a guaranteed negative return for investors.

Germany can borrow money for 5 years at an interest rate of NEGATIVE 0.10%. Yes, instead of Germany paying you interest when you lend them money, you have to pay them interest.

These same negative interest rate conditions exist across many of the Eurozone countries, as well as Denmark, Sweden and Switzerland.

Since the majority of the investment industry unequivocally supports world central banks, it has convinced itself that negative interest rates are actually good for the world's economy and it will help the world along its sunny path to economic freedom.

Call us dumbstruck, dumbfounded or just plain dumb. But, our every analysis of these policy moves always brings us to the same conclusion – there's a pretty big adjustment in financial markets on the horizon.

6 years ago, we were told that bailing out the banks and auto companies would save the world.

As this worked so well, we were next told that the world needed 0% interest rates.

As this worked so well, we were next told we needed money printing.

As this worked so well, we were next told that Ireland, Portugal, Spain, Italy, and Greece needed a bailout.

As this worked so well, next the IMF issued a report recommending a Global Wealth Tax of 10% be applied to help governments resolve their debt problems.

As this worked so well, next the IMF, the EU, and the ECB all declared that if your bank goes under – people with term deposits and GICs will pay for the bailout.

As this has worked so well, now every major central bank in the world agrees that negative interest rates will finally be the policy measure to finally tip the world back onside.

We're talkin' serious money

This will work so well, that the world should prepare for even more draconian measures to kick start the recovery. The global hunt for taxes has become very popular, as has the movement to physically remove all cold cash.

Yes, as recommended by Larry Summers, the world is moving ever so closer to completely adopting electronic money as the only way to do business. Many say this is good, after all many of us are practically there already. However, this movement towards electronic money is another attempt to eliminate black markets and allow governments to collect more taxes to fund the deficits.

But perhaps, the biggest financial crime not talked about is the damage to the world's savers. While most do not realize it, but our central banks and governments have clearly decided to absolutely crush savers in favour of borrowers.

The combination of all of the above failed policies has in effect punished savers, and rewarded borrowers. We now live in a world the elderly can no longer collect 5-6% interest on their savings accounts.

Instead, and unknowingly to most of them, they have become fully invested in the junk bond market and the stock market. That's quite the switch in investment strategy.

Pension plans are even worse off, and we'll explore the risks in pension plans in the next ***IceCap Global Market Outlook***.

Back to our **Target Date Mutual Funds** and **Lifecycle Mutual Funds**. These funds are quite popular with over 2000 funds in the USA alone. Collectively, they have accumulated over to $700 billion in assets. Or put another way – about $10 billion in annual fees.

We're talking serious money here.

And with this much skin in the game, many investors, advisors and consultants are exposed to the funds. In fact, over 40% of Defined Contribution Pension Plans offer Target Date and Lifecycle Funds as the main investment options.

It seems that insurance companies are particularly strong supporters of these perfect investment funds. As are many financial planners.

The reason we are sounding the alarm on these funds is due to:

1) our expectations of a bursting of the global bond bubble, and
2) the fact that these funds purposely steer conservative investors into funds predominantly invested in bonds.

Recall, that previous bubbles in housing and technology stocks occurred in the private sector – this is why the stock market got whacked, and the bond market provided safety.

Today's bubble is in the government bond market, or the public sector. Yes, stocks will be volatile, but when the government bond bubble bursts, bond markets will be the one to be whacked .

Don't be naive

Yes, the companies that have created these funds are quite large, with all of them claiming their pedigree and investment acumen make them leaders in the investment world.

Yet, all research supporting the merits of Target Date Funds and Lifecycle Funds does not include the possibility of a global bond bubble and sovereign debt defaults.

The naivety behind these funds is on the same scale as those who did not see the technology bubble, and worse still Ben Bernanke's claim that because the United States had never experienced a national housing crisis, then it could not happen.

History shows that governments default on their debt all the time.

The sad part of the investment industry is that it doesn't make proactive decisions. Believe it or not, most everything happens with hindsight.

Think back to the 2008 crisis, and the 2000 crisis – few advisors called their clients prior to the crisis recommending a safe and cautious approach be used.

Instead, most everyone rode the wave up and down and up again. After all, when markets have unpleasant experiences, the "everyone got hurt" defense is very easy to sell to clients.

Yet, what makes the upcoming Target Date Funds and Lifecycle Funds crisis disappointing is that the reason many investors have these funds is due to them being offered in their pension plans.

Defined Contribution Pension Plans are the most popular group savings vehicle in the world today. Usually, employees will contribute about 5% of their wages to the plan and the employer will match the contribution.

The reason for their popularity is due to the "risk" of shortfall being shifted from the company or plan sponsor to the employee or plan member. The amount available to the employee for retirement is simply the total value of their investments at that moment in time.

Every pay cycle, the employee's and employer's contributions enter an investment account, and the employee is responsible for selecting which fund for investment.

It's simple enough, except for one glaring fact – not all employees are investment savvy enough to choose an appropriate fund. Essentially, the investment decision process has been dumped on miners, computer programmers, baristas' and others who have no investment training whatsoever.

Recognising this fatal flaw, employers and their consultants schemed the idea to offer mutual funds that would in effect remove the investment decision making process from the employee - making their investment decision easy and stress-free.

Self promotion

This is where Target Date Funds and Lifecycle Funds entered the picture. The funds market themselves as effectively providing 1-stop shopping for the employees, the company and the consultants. Sounds easy enough , everyone wins – except for those employees who have chosen the more conservative, near dated funds.

By example, most 2035 Target Date Funds (20 years time horizon) have about 15% in bonds. If these funds lose 50% on their bond investments, there is plenty of time to recover.

However, most 2020 Target Date Funds, have about 60% in bonds and if these funds lose 50% on their bond investments, there is little time, nor capital remaining to recover. it is this group of funds that are really exposing investors to specific risks of which they have not been prepared.

The solution of course is to steer clear, or reduce your exposure to the bond market. The challenge is that many of these investors have no idea what is staring them right between their two eyes and are not equipped to make appropriate strategy changes.

And in these situations, it is the consultants, and insurance companies who recommend these funds, as well as those in a company's Finance or Human Resource department to act. Remember, as trustees you have a fiduciary duty to ensure the plan assets and strategies are safe and sound.

The Solution

The good news is that many of our readers fall into one of the these groups – you now have an opportunity to act before the bond bubble breaks.

Even better news is that ***IceCap Asset Management*** has developed innovative solutions for Defined Contribution Pension Plans including:
- Canadian domestic plans
- international pension plans.

Our platforms offer innovative solutions to address the challenges in the bond markets, as well as challenges facing companies and employees in the specific industries such as the oil & gas, banking and insurance sectors.

Call or email us directly to see how we can help.

One more surge for bonds

Our Strategy

Since our last Global Outlook, we've reduced our exposure to stocks and invested these profits in the bond market targeting 7-10 year duration strategies.

Clearly, we expect the bond market to pop but prior to this occurring, government bond markets will likely see one more strong surge upwards. Sub 1% yields in the US 10 year is a real possibility.

We continue to expect global economic growth to really begin slowing in Q4 this year. This is likely the point when bonds will reach pinnacle highs which will produce financial chaos and confusion.

The sharp acceleration in the US Dollar has paused and we view this as a great opportunity to add further to our currency strategy.

Of course, the biggest news dominating financial news media is the Greek debt crisis. The demise of the Greek economy and finances has been well played out, and we continue to expect Greece to default on its debt and leave the Eurozone.

Brussels believes it has finally ring fenced the Greek problem and are unafraid of contagion spreading across the Eurozone. Brussels is likely correct. At this point, we are not seeing bank runs or financial stress developing elsewhere.

We continue to see Italy, Spain and especially France as the big risks - as growth slows and the population becomes restless, the real European crisis will emerge once again.

As always, we'd be pleased to speak with anyone about our investment views. We also encourage our readers to share our global market outlook with those who they think may find it of interest.

Please feel to contact:

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Thank you for sharing your time with us.