

At Clapboard Hill Private Wealth, we believe in designing a customized and thoughtful asset allocation to all client portfolios that properly reflect financial goals, tolerance for long-term risk, and income/spending constraints. We would like to give you a brief update on how we view the fixed income or bond portion of the allocation. People looking to invest in bonds may own individual bonds, bond ETFs, or bond mutual funds. At CHPW, our belief has always been placed on the importance of owning individual bonds, especially in this current market environment. Holding individual bonds generally provides permanence and definition, a maturity, and a fixed interest component (coupon). We customize diversified portfolios of bonds to meet your individual needs. Bond prices will fluctuate, but it is essential to remember that the interest payment will remain constant as long as the company has the cash to make the payments. Bond funds and bond ETFs do not mature or have a fixed interest payment. Owning individual bonds also provides a deeper level of transparency compared to bond ETFs or funds. Yes, we have seen bond prices fall in this period of market uncertainty; however, a lot of the selloff in bonds can be attributed to investors selling out of bond mutual funds and ETFs. Holding a bond fund or bond ETF during times of mass-selling creates permanent erosion to your capital. Fund managers must sell underlying bonds to meet fund redemptions (sales) which causes all holders to share in the losses taken to raise cash for those selling. It is difficult to predict when prices will rise again but by owning individual bonds, we believe investors are better positioned to weather this storm. Please feel free to reach out to our investment team for more detail.