

satisfying that criterion, imagine a world where neither of these things is true. Figuring out how to pay for college and your daughter's wedding is about to get very challenging, to say nothing of large governments paying off their pensions and their post-retirement medical care. Pulling the pin on bonds being risk-free is going to be an easy exercise as we look at what happened to the value of bonds during the unprecedented rate spike of 2022. We all know what happened. Some financial systems didn't make it, others were bailed out to the tune of hundreds of billions of dollars by central banks. The BoE pension bailout was \$60 billion, the US Fed bond bailout (through the BTFP) was nearly \$200 billion. For Credit Suisse, the Swiss government committed over \$250 billion in liquidity and guarantees. This was all collectively the impact of relying on the stability of the bond's value.

Beyond the banks that failed, there was a lot of damage done to all of the surviving portfolios — a collective pot of money worth around \$133 trillion that was expected to earn a modest risk-free yield. In 2022, ordinary bond funds lost 13% of their value, and long-duration bonds like those found in the UK Pension Schemes using LDI lost 31% of their value. In aggregate, the global bond market lost 16% of its value, or \$21 trillion. It's starting to make sense how BlackRock is looking for other answers. All that lost value and being bailed out by the BoE brought them to the end of their rope.

If BlackRock was worried about bonds prior to 2022, the market had no knowledge of it. It's not unreasonable for