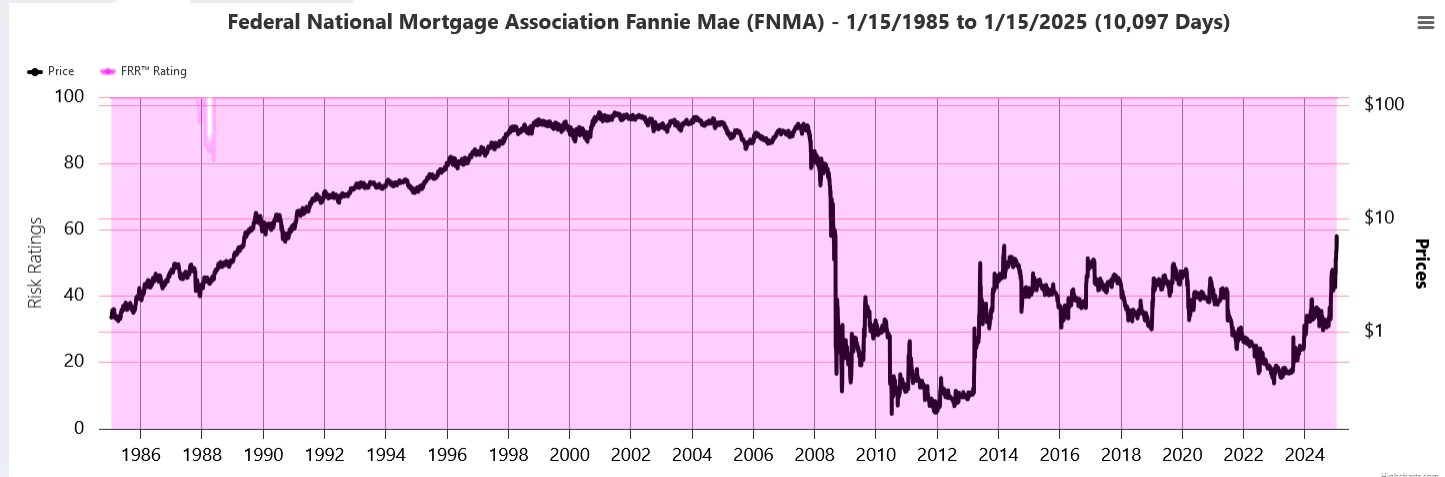


Fannie Mae: A Lesson in Risk and the Importance of Fiduciary Responsibility

January 16, 2025

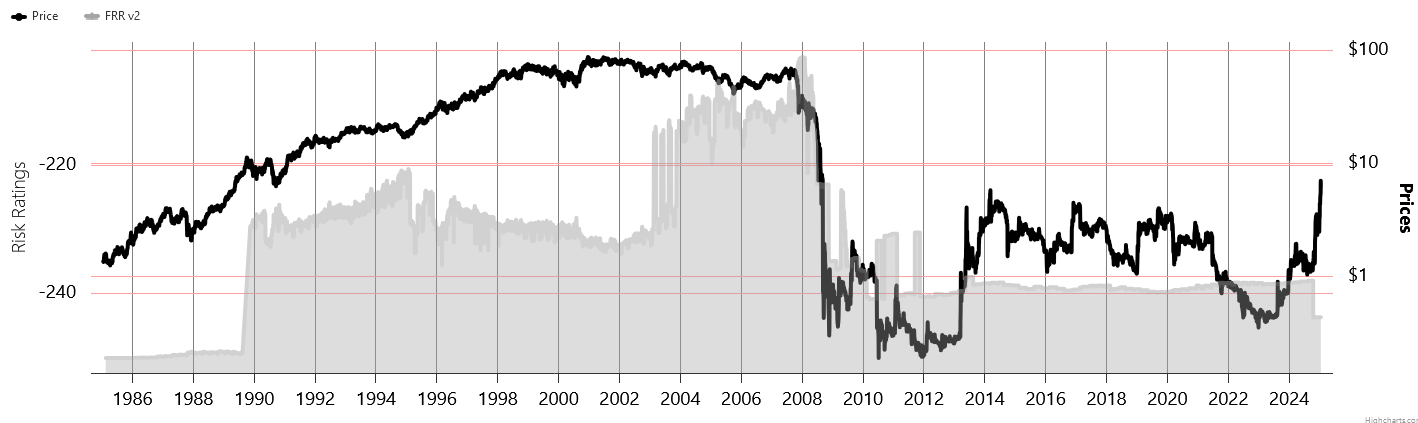
Today, Fannie Mae's (FNMA) stock fell 13%, continuing a long history of volatility and losses for its investors. This serves as a stark reminder of the importance of understanding and managing risk. For over 40 years, Equity Risk Sciences (ERS) has been dedicated to providing tools that empower fiduciaries to make safer investment decisions, and our Fiduciary Risk Rating (FRR™) has proven invaluable in this mission.



ERS's Fiduciary Risk Rating evaluates stocks on a scale from 0 to 100. A rating of 0 indicates the least risk, while 100 signifies the highest risk, identifying companies unsuitable for fiduciaries to hold. As seen in the first chart, FNMA's FRR rating has never been less than 80, and for the majority of its history, it has maintained the worst possible rating of 100. This evaluation accurately reflected the company's heightened risk, culminating in catastrophic losses during the 2008 financial crisis.

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Federal National Mortgage Association Fannie Mae (FNMA) - 1/15/1985 to 1/15/2025 (10,099 Days)



To improve the precision of our risk assessments, ERS recently introduced Version 2 of the FRR. This updated scale ranges from 150 (lowest risk) to -250 (highest risk), capturing the unique risks associated with exceptionally volatile and poorly performing companies. The second chart demonstrates that FNMA has consistently received a rating of -200 or worse on this enhanced scale, underscoring its status as one of the riskiest investments over the past four decades.

Regardless of whether you use the original FRR or the updated version, FNMA has always been unsuitable for fiduciaries to own. ERS's technology helps fiduciaries steer clear of high-risk investments like FNMA, protecting their clients' capital and upholding their professional responsibilities.

Investing without a scientific understanding of risk exposes portfolios to unnecessary losses. Let ERS help you avoid pitfalls and make more informed decisions. Visit our website today to learn more about how our tools can safeguard your investments.

In 2019, ERS published a detailed report on Fannie Mae that highlighted many of the same risks we are emphasizing today. This report remains highly relevant and can be read on our website at <https://www.investlabs.ai/fannie-mae-report-2019/>.