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Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.

IS YOUR ADVISOR A FIDUCIARY? THERE IS A BIG DIFFERENCE BETWEEN ADVISORS

Partly due to various rule changes in the US, news articles and questions about whether one's advisor is a fiduciary have become more prevalent. So what exactly is a fiduciary and how does being a fiduciary benefit clients?

fiduciary: a person who holds a legal or ethical relationship of trust with one or more parties; a fiduciary-client relationship is akin to a trustee-beneficiary relationship.

In the financial advisory world, this means that an advisor who is a fiduciary is bound by law to act in the best interest of their clients. Portfolio managers have a fiduciary duty to act with care, honesty and good faith and must always put their clients' interests first. In practice, this means that investment decisions must be independent and free of biases.

Many investors may think that all financial advisors are bound to such a fiduciary duty but this is not necessarily the case. The Canadian Securities Administration has outlined five factors that determine whether a financial advisor is a true fiduciary:

1. *Client interests are paramount* – everything must be done in clients' best interests
2. *Conflicts of interest are avoided* – conflicts are disclosed and proactively resolved
3. *Clients are not exploited* – advisors can't use their position to benefit themselves
4. *Clients are provided with full disclosure* – fees, options, risks are all disclosed
5. *Services performed reasonably prudently* – skill, care and diligence are employed

In Canada, only portfolio managers are proactively determined and expected to be fiduciaries. Portfolio managers, along with the expectation of the five factors above, also must attain certain professional qualifications and registrations (e.g. attaining the CFA or CIM designations) and engage in more rigorous client assessments (e.g. fully understand the client's situation and be bound to an investment policy statement outlining appropriate asset allocation and risk exposures).

Investing with a portfolio manager goes beyond the portfolio manager and his/her team. The firm supporting the portfolio manager must have systems in place to ensure the portfolio manager adheres to the five factors above as well as maintains necessary registrations and client assessment processes.

Steele Wealth Management as Fiduciaries

Our motto – *Honest. Straightforward. Expertise.* – sums it up. As portfolio managers, Steele Wealth Management must act in the best interest of clients at all time. You can be confident that our compensation is fully transparent and fair relative to the broader marketplace and the services we provide. Steele Wealth Management has also made a point to focus on competence and skill and our education and designations back that up.

Current Rates & Data

Govt of Canada

90 day	0.16%
1 year	0.25%
2 year	0.26%
5 year	0.33%
10 year	0.50%
30 year	1.01%

U.S. Treasury

90 day	0.12%
1 year	0.14%
2 year	0.15%
5 year	0.28%
10 year	0.61%
30 year	1.30%

Canada Prime Rate

2.45%

U.S. Prime Rate

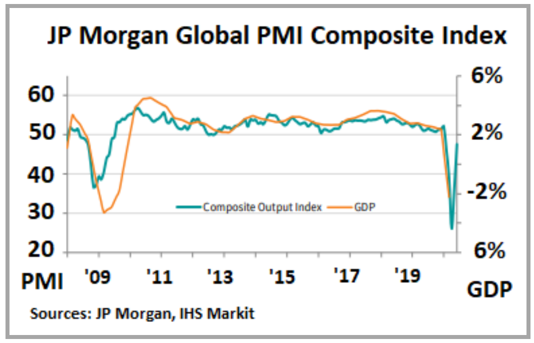
3.25%

Exchange Rates

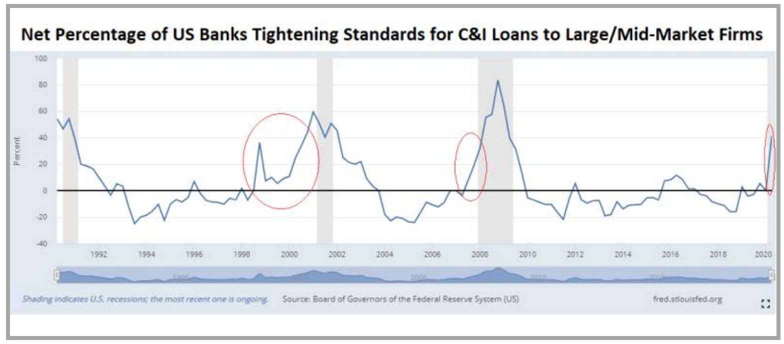
CAD/USD	0.737
USD/EUR	1.138
JPY/USD	107.4

ECONOMIC TIDBITS ECONOMIC RECOVERY IN NUMBERS & BANKS' HESITANCE TO LEND MAY HAMPER REBOUND

• The JP Morgan Global PMI Composite Index rose sharply to 47.7 in June, up from the all-time low of 26.5 in April. The rebound to neutral territory (50) is positive but we are not out of the woods yet. Goldman Sachs estimates that sustained PMI readings below 45 would indicate a stalling economy and continued recessionary conditions while a 'V-shaped' recovery would require readings above 55.



• US banks tightened lending standards and raised the loan costs for corporations during the COVID-19 outbreak. Such actions tend to occur well before recession, often propagating the recession, but this time, the rapid onset of recession prevented banks from reducing risk. Banks will be hesitant to lend as central banks artificially curbing corporate interest rates make it difficult for banks to lend profitably.



LE JIT A "JUST-IN-TIME" RUNDOWN OF OUR CURRENT INVESTMENT THEME

"Chicken Equity" a Good Way to Participate in Stock Market Upside While Potentially Limiting Downside

- ***Purpose Tactical Asset Allocation Fund (RTA)*** is the best chicken equity or managed risk security we have come across. This particular security performed particularly well during the recent market downturn.
- RTA is governed by a systematic model that monitors various indicators to pinpoint changes in economic and market environments. RTA reacts to short-term, medium-term and long-term signals allowing it to reduce risk quickly but gradually. While many other managed risk securities tend to react quickly and get tricked often or react too slowly and not manage risk well, RTA's model has proven to be neither too reactive nor unreactive to changes in economic or market conditions. The goal is to participate in market upside when markets are healthy and rising and protect against downside as market conditions worsen.
- RTA's asset allocation can range from 100% equity to 100% fixed income. The ETF's geographical equity allocation is roughly two-thirds Canada and one-third US but this can vary over time.
- RTA has a corporate class structure so the majority of returns will be in the form of tax-efficient capital gains. RTA has an management expense ratio (MER) of 0.94%, which is cost efficient. Many managed risk products that attempt to provide similar exposure typically come with MERs of 2%+.

Key risk points: RTA will experience returns and drawdowns similar to a balanced equity fund over most periods. RTA may not prevent losses during major market downturns that are unique in nature.

JEANNINE'S TIP O' THE MONTH Raymond James Waterloo Branch Update

The branch is not yet open and we continue to work remotely. This means client meetings on Zoom.

If you have urgent documents or deposits that need to get to us, please call us to make arrangements.

Remain safe, please continue to practice social distancing and remember that in Region of Waterloo a mask by-law is in effect.

This newsletter has been brought to you by Steele Wealth Management

Brian Steele, CA, CPA, CFA | Jeannine Campbell | Laura Prust, CIM, CPCA
Kelly Edmonds | Elizabeth Kernohan | Sam Ryder, CFA | Matthew Bell, CFA

Phone: (519) 883-6030   Toll-Free: 1 (877) 642-6408

Email: steelewealthmanagement@raymondjames.ca

Address: Unit 1, 595 Parkside Drive | Waterloo, Ontario | N2L 0C7

Website: www.steelewealthmanagement.com

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steelewealthmanagement@raymondjames.ca