SPRING 2015

Uncommon INSIGHT

SYM FINANCIAL ADVISORS NEWSLETTER

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SYM Financial Advisors
Uncommon relationships. Uncommon results.

The Regulatory Battle Over Fiduciary Duty

You might have read recent financial press headlines describing the ongoing regulatory battle over the fiduciary standard. For the past five years, regulators have been pursuing this standard – the legal duty to act solely in clients' interests – to be levied throughout the investment industry. However, these efforts have been met with stern resistance from brokers and various other entities who label themselves "investment advisors." To advisors at SYM, the fact that so many practitioners are willing to publicly fight the obligation to put client interests before their own speaks volumes to the value a fiduciary relationship brings to a wealth management client.

A 2013 PBS Frontline documentary noted that, "[e]ighty five percent of all financial advisers and financial planners are really just brokers or salesman. ... Only 15 percent of advisers are 'fiduciaries'– advisers who by law must operate with your best interests in mind."

Unfortunately, the financial advice business is a mixed bag. As famed Wall Street Journal columnist Jason Zweig summarizes, "[y]our broker still doesn't have to be on your side, but he's getting pushed in that direction." Certain brokers add titles (such as "financial consultant") to their business cards in attempts to blur the line between financial *sales* (what they actually provide) and financial *advice* (what individuals are actually looking for), and, while regulation isn't the answer to everything, it seems to be a fair point that a financially-misled public is harmful to society. Indeed, recent research by the White House Counsel of Economic Advisers estimates that non-fiduciary investment advice costs Americans $17 billion *each year*, with the conflicted advice lowering returns by 1 full percent per annum.

Further evidence of this important distinction can be found in the New York state legislature, where the New York City comptroller decided not to wait for the uncertain federal outcome on the matter. The comptroller is proposing a rule change would require the fol-

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lowing language to be included in advertising materials and at the beginning of new financial relationships with non-fiduciaries: "I am not a fiduciary. Therefore, I am not required to act in your best interests, and am allowed to recommend investments that may earn higher fees for me or my firm, even if those investments may not have the best combination of fees, risks and expected return for you."

Miles away from this regulatory dispute, great client outcomes are central to SYM culture. We are among the 15 percent of financial advisors who are fiduciaries, but our commitment to ethical behavior doesn't stop with our legal duty. All of our employees abide by a firm-wide code of ethics that has been in place for over a decade. Designed to shield clients from conflicts of interest, it is reaffirmed and signed by each employee every year. At the individual level, many of our employees are bound to additional codes of ethics as articulated by the CFP Board, the CFA Institute, the Indiana CPA Society, and the Indiana State Bar Association. SYM was also among the first in the state of Indiana to employ an Accredited Investment Fiduciary®, a voluntary credential. We measure our own success on the basis of our clients' success, and take our fiduciary duty seriously.

To be clear, <u>SYM Financial Advisors actively pursues fiduciary relationships</u> with prospective clients, and <u>we are fiduciaries</u> to our clients. This is the strictest duty of care within the U.S. legal system. We believe this is the right way to treat people, and we have been legal fiduciaries for years by our own choosing. We are not brokers. We pursue, with vigor, the combination of investments which provides the optimal combination of after-fee, after-expense, after-tax returns in the context of a portfolio's risk profile and your financial situation, and we do not participate in fee mechanisms which could introduce a conflict of interest.

Bull Market Dynamics

Bull markets don't typically age gracefully. As they mature, each one develops its own warts and wrinkles. This particular bull market that began in March 2009 is predicted to enter its golden years haunted by geopolitical uncertainties and battered by economic crosscurrents. We started 2015 with the possibility of Federal Reserve easy monetary policy coming to an end, driving potentially higher interest rates. If 2015 is the year that adjustment is made, the market could fragment as regions, sectors and individual stocks splinter off in their own directions—in much the same way that U.S. markets decoupled upward from the sluggishness in Europe and emerging markets. For that reason alone, diversification across multiple markets will be crucial to minimizing risk.

While broad U.S. stock indexes are expected to continue their march upward, the advance may be more erratic as we enter the seventh year of this bull market. That said, we are long overdue for a significant correction in the U.S. markets. This will be an unpleasant yet important step needed to remove the excesses that have developed in some parts of the stock market.

For now, the case for bullishness is not only intact, it's strong. A vibrant U.S. economy will provide strong support for U.S. stocks, while Europe's woes create compelling bargains. Analysts expect average U.S. earnings growth of 3% to 5% this year. Plenty of themes—from lower oil prices to a rising dollar to a stronger consumer—could pay off for investors in 2015. With shares in the broad market selling at 16 to 17 times estimated 2015 earnings, prices of U.S. stocks do carry a slight premium but are nowhere near the peak levels of past market tops like 1999 and 2007.

In Europe, the roughly 25% decline in the euro gives many multinational companies domiciled in Europe tremendous opportunities to gain market share and increase earnings. Analysts see European earnings growing by better that 15% in 2015, two to three times the expectation in the United States. And European multiples of earnings are less than the U.S. In anticipation of this shift, SYM initiated an allocation to a European fund manager this past quarter.

As has been the case throughout this bull market, much of the commentary will continue to be centered on what the Federal Reserve and other central banks will or will not do. The Federal Reserve Board's bond-buying program has ended for now, and the central bank will likely try to raise short-term interest rates in the second half of 2015. Few see economic growth as a challenge needing to be reined in at this time. Admittedly, the adjustment associated with higher rates has the power to knock the stock market around in the short term. Most economic recoveries falter for a while in a monetary climate of tightening rates designed to slow the economy. The surprise might be that the hikes turn out to be nonthreatening for both the stock market and the bond market, just a simple trip back to normal.

Beyond interest rates, the bull is also being pushed and pulled, sometimes simultaneously, by the change in oil prices. Oil is an economic plus or minus depending on your perspective. The price of a barrel of oil has fallen 50% since its peak last summer. Energy production, and profits, will likewise be jeopardized if the slump is prolonged or deepens significantly. Yet consumers are seeing more money in their wallets with lower gas prices, and using it for additional spending.

This market has come a long way in six years. Don't be surprised by short term turbulence. As long term investors (5 to 10 years), our focus will be on the long term potential of equities to meet wealth accumulation goals.

2015 Bond Market

"The problem with QE is it works in practice, but it doesn't work in theory." –Ben Bernanke

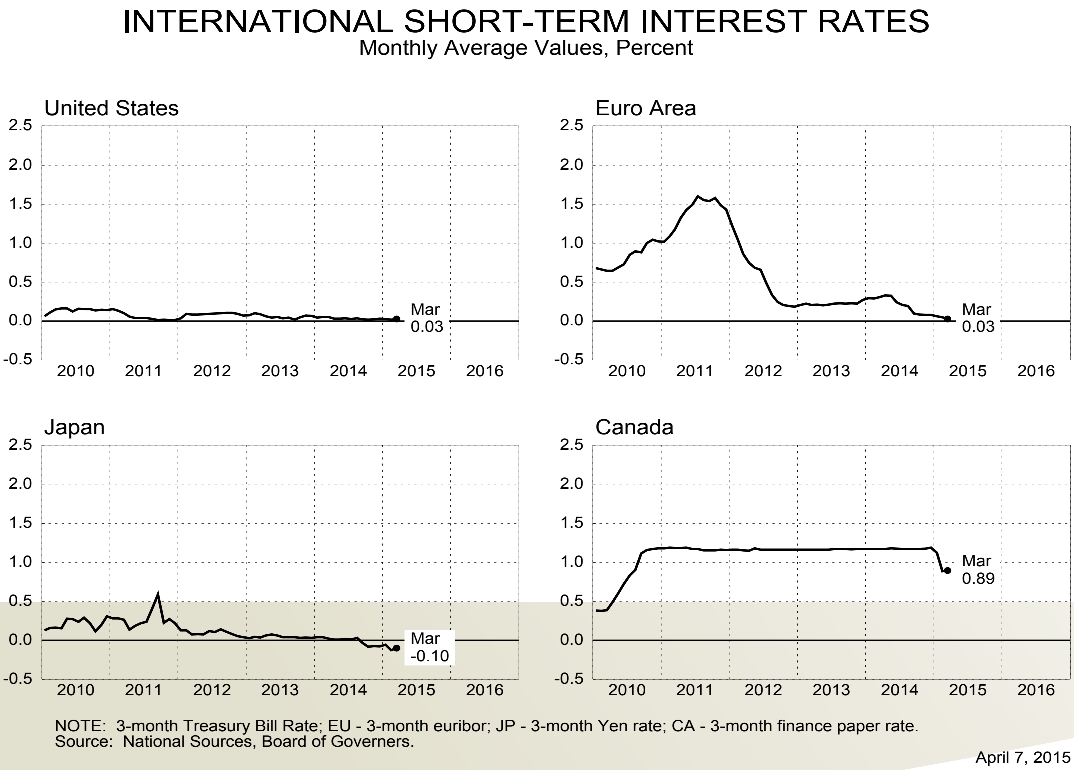
The flattening of the yield curve is credited for the domestic bond markets' returns over the first quarter of 2015. A slight tightening in interest rates occurred on the short end of the curve as the yield on the 2-year Treasury note declined by 11 basis points to 0.56%. From statements made during the Open Market committee meeting on March 19th, many "FED Watchers" concluded that the FED would not be raising rates during the second quarter of 2015.

Moving further out on the yield curve, the 5-year Treasury note tightened 27 basis points to 1.38%, the 10-year Treasury declined by 24 basis points to 1.93%, and the 30-year Treasury bond tightened 21 basis points to 2.54%. Declining interest rates and the flattening of the yield curve in the first quarter resulted in bond returns ranging from 0.04% on short term bonds as represented by the Barclays Capital Short-Treasury Index to 4.19% on longer term bonds as represented by the Barclays Capital U.S. Treasury 20+ Year Index.

The decline in longer-term interest rates was driven by two factors. First, economic data suggested a softening of overall economic conditions in the United States, which we expect to be short in duration. A second factor was increased demand from global investors to own U.S. government debt. Comparing U.S. interest rates with those in Europe and Japan, foreign investors took advantage of two critical areas of opportunity: owning higher-yield U.S. debt, and making those investments within the additional safety of the strengthening U.S. dollar. The yield spread of the 10-year U.S. Treasury and the 10-year German Bund is 175 basis points, which is at the top end of historic spreads of U.S. Treasuries over Bunds.

TIPS (Treasury Inflation-Protected Securities) lagged behind other fixed income classes and only rose by 1.42% as represented by the Barclays Capital U.S. TIPS index. Inflation expectations remained low as oil traded in a range of $50 per barrel. Inflation, one of the two mandates of the FED's oversight, is currently not a major concern.

As we move our focus to foreign bond markets, early March saw the European Central Bank begin its quantitative easing program. Interest rates across Europe hit new historic lows. Germany's 10-year Bund dropped to a yield of 0.18% at the end of the quarter. Investors



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Announcing

Kim Harvey

Kim Harvey joins SYM as Director of Marketing, bringing the marketing efforts for SYM's five geographies together under one roof. Kim will lead the overall marketing initiatives of the firm by guiding client and prospect outreach, tailoring SYM brand communications, and streamlining core marketing and public relations strategy companywide.

Kim earned a B.S. from Indiana University in addition to an MBA from Northwood University. She works from the Midland, Michigan office and oversees marketing efforts in Midland, Winona Lake, Carmel, Fort Wayne, and South Bend. We anticipate Kim's role will provide you with fresh opportunities to remain informed and engaged with your SYM team.

Shane Bradley

Shane Bradley joins SYM as a Client Service Representative after having served in an outstanding capacity as an Intern for most of 2014.

Shane will graduate Magna cum Laude from Grace College in May, earning a Bachelor of Arts in Finance, Financial Planning, and Business Administration.

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looking to reduce exposure to the declining Euro were even willing to lock in negative interest rates in Swiss bonds, whose 10-year bond traded at a negative yield of 0.06% at the end of the quarter. Among other bond markets, including developed and emerging markets, investors have found little relief or alternative to historically low yields. Global fixed-income investors who purchase debt across multiple currencies, have driven the demand for U.S. corporate and government debt as they have sought out higher yields and the positive effect of the rising value of the U.S. dollar.

It is very clear that central banks around the world have been successful at repressing interest rates. As the QE theory plays out we will, as an investment committee, continue to analyze where risks and opportunities exist in the fixed income world. We don't see value in world-wide sovereign debt investments, with the possible exception of sustained higher yields of U.S. long-term bonds relative to comparative yields elsewhere. With that said, we do not feel extending our exposure to longer term bonds pays our clients enough potential return only to capture historically low yields. For now, we will continue to keep our bond duration short, with a strategy to create yield without leveraging or compromising overall credit.

SEC Filing Offer

Annually we offer to you the opportunity to receive a copy of our Registered Investment Advisor filing with the Securities and Exchange Commission. If you're interested in a copy of this public document please e-mail Terri Savill at tsavill@sym.com and request a copy to be sent to you.

Tracey Yeager Memorial 5K Run/Walk

We are pleased to once again host the Tracey Yeager Memorial 5K Run/Walk at Winona Lake Park on Memorial Day 2015. Our goal is to continue to hold a family friendly event allowing participants and spectators an opportunity to celebrate this day in remembrance of those who died in service of our country.

Each year, the money raised for this event benefits the Tracey's Trails Fund at the Kosciusko County Community Foundation. This is a non-permanent fund, meaning that all proceeds can be paid out for the cause. The fund will be used to aid in the continued development of the walking and cycling trails, or other recreational areas in Kosciusko County.

In 2014, the event raised over $35,000 which has been donated to the Limitless Park and will be used to purchase and install shade sails. This project is scheduled to be completed in time for this year's event and would not have been possible without the generous support received at last year's race.

For those who are local to the Northern Indiana region, we would love to have you join us on Memorial Day! For more information, including online registration, visit our new website - TYM5K.com.

Tracey graduated from the United States Naval Academy in 1990 and served as a Naval officer flying CH-46 helicopters. She earned the rank of Lieutenant, and resigned in 1999 to proudly pursue her calling as the mother of three young children and the wife of Steve Yeager, also a USNA graduate. Throughout her struggle with cancer, Tracey was a model of faith, strength, and courage. She positively inspired everyone who came into contact with her. She passed away on Memorial Day of 2010.

THE SYM DIFFERENCE

If you have any questions about the management of your portfolio, please don't hesitate to contact your advisor and/or team.

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