



New Constructs®

Diligence | Independence | Performance

Turning Challenge Into Opportunity

Embrace the Duty Of Care

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1. Will the rule stand?
2. What, exactly, does it take to fulfill fiduciary duties?
3. What does “fiduciary” mean = Duty of Loyalty & Duty of Care
 - **My focus is on the Duty of Care.**

The DOL has shined a light in the dark corner of investment research.



1. Investors' awareness is permanently higher.
 - Who wants to be seen as not putting the client's interests first?
 - Charging too much or
 - Not doing diligence
2. Major firms (TD, Merrill & Fidelity) committed to new rule.
3. Existence of new rule implies existing practices are not adequate.

TRADITIONAL RESEARCH HAS FLAWS

Investors Deserve Better

Technical research lacks rigor

- Recommendations based on a pattern on a chart?

Sell-side research is less reliable

- Conflicted? some highly publicized issues
- Diminishing resources

WHAT DEFINES “BETTER” RESEARCH

How to meet the Duty of Care

By law:

- A fiduciary must act with “care, skill, prudence, and diligence.”

Research must be:

Inarguably in best interests of clients

Research must not be:

- Conflicted
- Based on diversification
- Dependent on technicals

DEFINING DILIGENCE

Show Clients You Understand the Duty Of Care

1. Comprehensive:

All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including the footnotes and MD&A.

2. Un-conflicted:

Clients deserve unbiased research.

3. Transparent:

Advisers should be able to show how the analysis was performed and the data behind it.

4. Relevant:

Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

Key thought leaders support the importance of diligence.

- [Michael Kitces](#)
- [MarketWatch.com](#)
- [Wealthmanagement.com](#)
- [BlackRock](#)

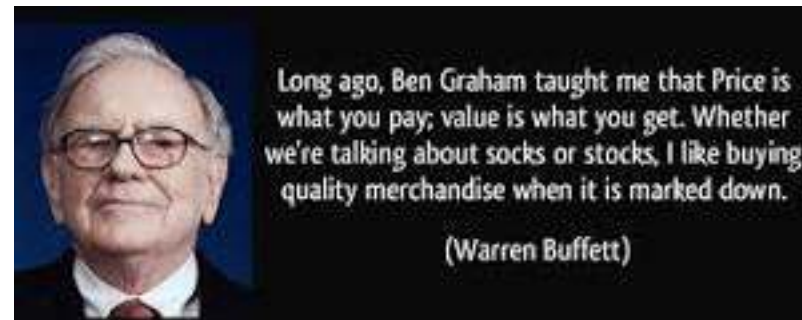
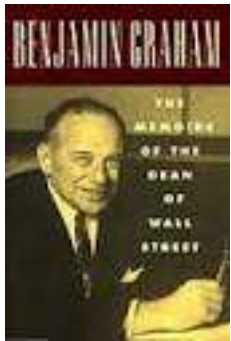
Regulators are too:

- [The DoL](#)

CREATE COMPETITIVE ADVANTAGE

Diligence Pays

Do the work that timeless investors have always advocated.



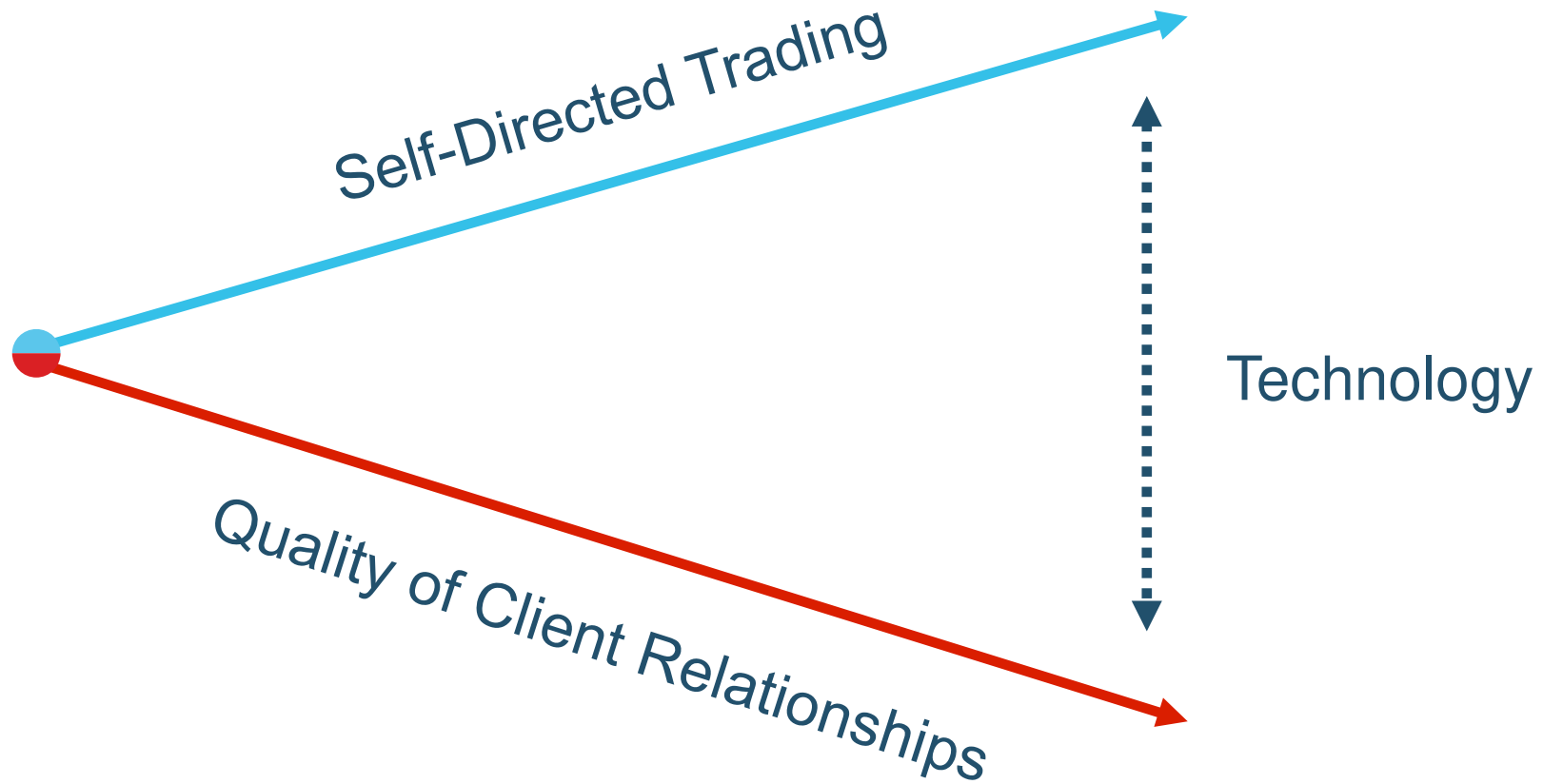
BE THE SANE & REASONABLE VOICE

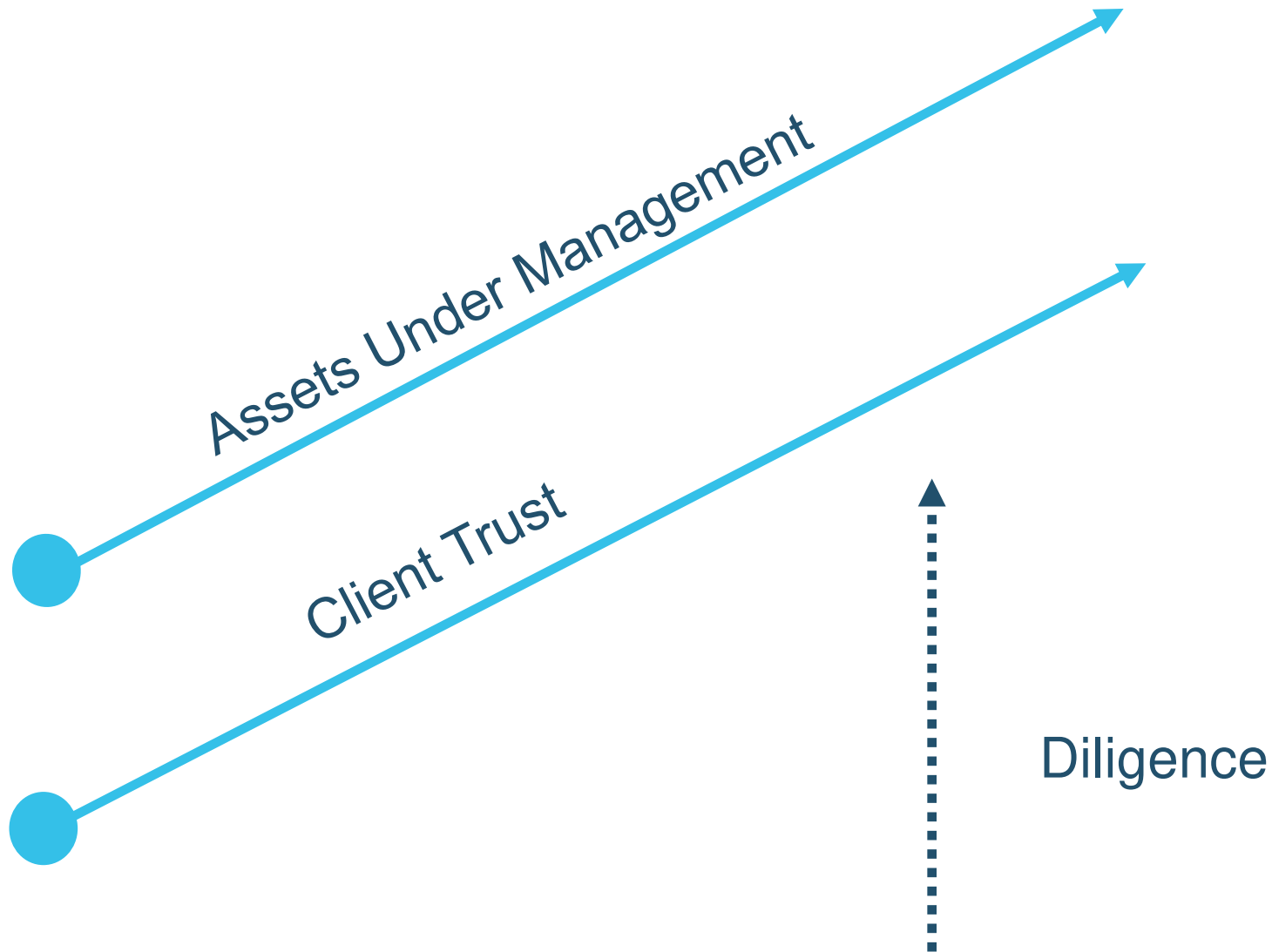
Opportunity To Provide Leadership



TECHNOLOGY & REGULATION ARE CHANGING INVESTING

More Competition: Robo Advisors & Index Funds; DOL





- Don't bind yourself to too few research sources.
- Open your research on all stocks and funds.
- Understand the companies and the valuations of stocks, ETFs and mutual funds.
- Leverage technology, especially emerging technologies.

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