



Where Relationships are the Difference

WEG Representative
E-News

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*we have received privacy requests from a few advisors—the production and recognition sections now reflect those requests

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Top 15 Producers

Dates to Remember

MTD As of March 2019	YTD
Patrick Power	James Schroeder
James Schroeder	Todd Balber
Jason Walsh	Gary Richards
David Kulle	Brian Sheehy
Gary Richards	Patrick Power
Todd Balber	Don Cohen
Robert Bieniek	David Kulle
Brian Sheehy	Fred Schrodtt
Fred Schrodtt	Harvey Hutchinson
Paul Tencer	Marty James
Kristian Longo	Brian O'Dowd
Don Cohen	Robert Bieniek
Brian O'Dowd	Jason Walsh
Jason Hulst	John Straley
John Straley	Jason Hulst

- ◆ May 27th, Memorial Day Holiday - *WEG & Stock Market Closed All Day*
- ◆ July 3rd, Independence Day - *WEG & Stock Market Closed 1/2 Day*
- ◆ July 4th, Independence Day Holiday - *WEG & Stock Market Closed All Day*

Thank You!

Thank you to everyone who attended the
2019 World Equity Group Annual Conference
and Compliance Meeting!

We look forward to seeing you all next year!



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From Rich's Desk

I want to thank everyone who participated at our recent conference in Chicago, especially Steve Crothers and Rosie Keller for all of their extra work. The venue, location and format change in my opinion gave a great opportunity to explore the city while not feeling like we were trapped in a conference room for several days. We changed the format of the event to not have a dinner, but feature two days of dine-arounds. I think the dine-arounds were well received but knowing our risk was not as much focus on the top producers as in the past. If you have any comments on the event or have any constructive improvements, or enhancements, please send an email to Steve Crothers scrothers@weg1.com.

Our first day of the conference kicked off our new relationship with Wentworth. Representatives at the presentation had an opportunity to meet Ryan Morfin the CEO for Wentworth as well as the President, Craig Gould. Ryan discussed the platform and some of the enhancements that we will have such as the Concierge Desk, the technology team, the marketing team, enhanced product and due diligence, multiple custodians and scalability across different channels. I hope representatives saw no negatives or subtractions just positive additions. Ryan and Craig answered all questions from representatives. As I have said change can be unsettling and there can be uncertainty but the right change, with the right people can be very positive. I see nothing but positive enhancements with Wentworth. We can remain that boutique firm but with the scale and added resources of a much bigger firm. We are hoping that in May FINRA gives us their final approval.

We had some great presentations, kicking off with key note speaker Maribeth Kuzmeski. Maribeth gave some great marketing incite as one of the most well-respected industry voices. We learned about the unique structure of Spring Hill holdings that will be closing on June 1st. The product has a defined holding period and 12.7% IRR. Mackenzie Capital was a speaker and new to the WEG platform. If you like alternatives, why not buy a diversified portfolio at a discount to NAV? We learned how to access Private Equity from Pacific Oak Capital Markets. These products are just not available on all BD platforms.

Prudential demonstrated how to contribute after tax contributions (nondeductible) at much higher amounts than traditional deductible limits to a 401k plan, but use them to fund a Roth IRA regardless of income. We saw a new cash management product from Cantor Fitzgerald with \$25m of FDIC insurance and learned about opportunity zones. We will have new product coming to take tax advantage of opportunity zones as products and regulations are finalized. We learned about the Bluerock preferred shares and steady performance of the interval fund. There is really just too much to mention. Miss a little, miss a lot but I have a lot of new ideas and things I will use to grow my team's business and AUM.

I want to thank all of the other sponsors, such as long time sponsor Jackson National who was the industry variable annuity leader last year. Some of our managers from the Adhesion platform as well as, Adhesion were also in attendance to provide value added management on a unique platform. It was great to see WE Donoghue and Astor. We want to thank Lincoln and Transamerica for participating whose wholesaler reminded me he was at our first conference which was about 10 representatives at a round table. Allianz was also in attendance as I went over our new process for Equity Indexed/Fixed annuities which is unique in the industry. Gladstone is a new product on the WEG platform and was recommended by Wentworth attending our conference for the first time.

We also welcomed one of our long-term clearing partners, RBC. We have been RBC correspondents since 1997 and go back personally to 1993 with RBC. Wentworth, as does WEG, supports the multiple clearing firm partners and options while many other Broker Dealers do not give that flexibility. It was good to see US Energy and Crystal Capital who both have unique products that are just not carried at most of the bigger Broker Dealers.

We had an opportunity to hear from Sarah Simmons and Jason Walsh. It's incredible what has happened on our bond desk recently. WEG has signed 60 New Counterparties, 10 New syndicate desks with some large new end accounts. WEG has recently established new relationships with the following direct Issuers: JP Morgan, Wells, Socgen, Prospect Capital,

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Morgan Stanley, BMO, RBC, UBS, Citibank, Barclays and Goldman. You are seeing WEG be invited in many new issue offerings of preferred, closed end funds and other bond offerings.

I know I am missing quite a few things but finally we discussed the success of the first WEG Pre-IPO Fund that owns shares of Lyft, We Work, DiDi, and Airbnb. Lyft has already come public with our fund shareholders well below the current Lyft trading price. We are expecting more public offerings from the fund this year and next year. We hope to have a new offering very soon.

Thank you for being part of World Equity Group - Where Relationships are the Difference!

Rich Babjak

The Bond Bombshell

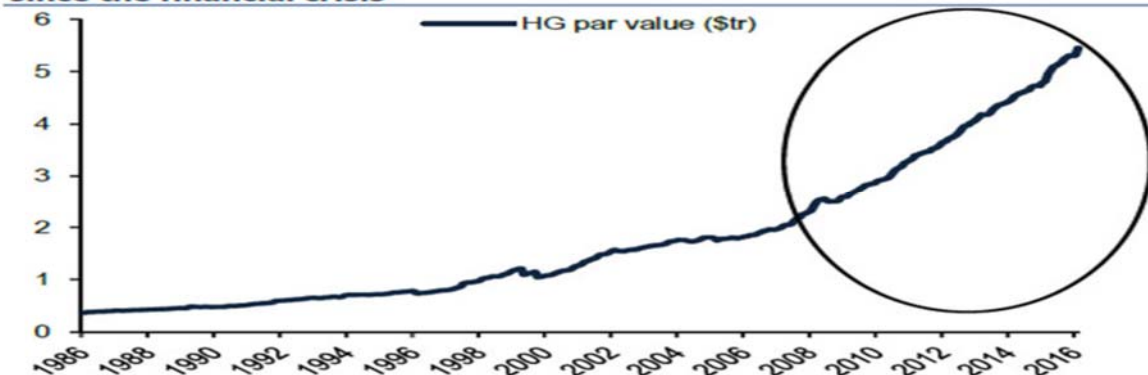
Duration Risk Explained



When people find out I am Bond Trader; inevitably I am asked the one question everyone who has a mortgage, credit cards, loan, etc would like to know - Where do I think rates are going? Usually, I laugh it off and say my crystal ball is broken. Then I am asked if we have anything to worry about? If I had to cite one thing... it would be **Duration Risk**.

Our current bond environment is a legacy of easy borrowing policies enacted by central banks following the financial crisis. With interest rates at or near zero; corporations went on a historic borrowing binge. The result was longer dated securities with smaller and smaller coupons.

Figure 1: US HG corporate bond market has more than doubled in size since the financial crisis



Source: BofA Merrill Lynch Global Research

The risk of lower yielding debt becomes apparent when we assess duration risk. Duration measures the how much the price of a bond moves relative to its yield in a 1.00% price move. Above is a chart showing the duration of investment grade bonds being tracked by Bloomberg/Barclays US Aggregate Bond Duration. Currently the Index sits at 7.42, close to a record high. Bonds with low yields and long maturities have the highest duration.



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This is when the math gets scary... As of now the global overall bond market is the largest it has ever been at around \$52 trillion since the financial crisis. With the duration of these aggregate bonds at about 7.0, if yields rose even ½ a percent that works out to 3.5 percent or a \$1.8 trillion dollar loss in value. The debt load we are carrying is so high we cannot sustain historically normal interest rate increases.

That is why bond selection, especially in longer dated bonds is critical. When I am structuring ladders I have been keeping them inside 5 years to protect us from that risk. If we do go out longer, the larger coupons have a much lower duration risk

Take for instance a Southern Edison bond with a 4.125 coupon in 2026 and compare with a Prospect Capital bond with a 6.00 coupon in 2026

Yield & Spread		Risk	
DB 4.1 01/13/26 Corp	251526821	Spread	250.65 bp vs 10yr T 2.5% 02/15/29
Price	94.75	Yield	5.031710
Yield	5.031710	Workout	0.5
Wkout	01/13/2026 @ 100.00	Benchmark Risk	8.673
Settle	05/01/19	Risk Hedge	16M
		Proceeds Hedge	24M

Yield & Spread		Risk	
PSEC 6 04/15/26 Corp	743481M32	Spread	357.70 bp vs 1yr B 0 04/23/20
Price	100	Yield	5.980066
Yield	5.980066	Workout	0.456
Wkout	10/15/2019 @ 100.00	Benchmark Risk	0.947
Settle	05/01/19	Risk Hedge	12M
		Proceeds Hedge	26M

Both bonds are rated Baa3/BBB- yet the durations are very different due to the call feature in the Prospect Capital bonds and higher coupon.

I had a great time seeing all of you at our annual meeting. It's great to hear about the stories of your clients and to find synergies where we can make a difference. As always, if you have any questions about how individual bonds or bond ladders can assist your clients, please do not hesitate to contact me at the Bond Desk.



Sarah Simmons

Fixed Income Trading Manager

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Operations Update

RBC

UGMA/UTMA Detail Report Quarterly Update Available April 4th

An updated quarterly UGMA/UTMA Detail report will be available tomorrow, April 4 in the [Ad Hoc Reporting tool](#). This report helps firms and financial advisors (FAs) identify accounts that may need updates and changes based on the birthdate of the minor beneficiary as identified in ClientSource.

It is recommended that firms and FAs check the UGMA/UTMA Detail report on a quarterly basis and complete the following steps.

- Ensure the minor birthdate is correct. If it is missing or incorrect, update the account in ClientSource.
- If it is correct and the individual is past the age of custodial termination, firms and FAs should work with custodians to ensure that accounts are closed and assets are transferred to the control of the former minor, to avoid any confusion or disruption of services.

See the following resources for additional background and information about UGMA/UTMA Accounts.

- The [UGMA/UTMA Accounts](#) page on Gateway
- [UTMA/UGMA Frequently Asked Questions](#)

Questions?

Please contact [Michael Heiser](#) at (612) 371-2363.

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Operations Update

Pershing

Safeguarding Information: Account Masking on Checks

Effective June 10, 2019, we will begin masking your clients' account numbers on the front and stub of checks issued from BNY Mellon's Pershing. Account masking or data obfuscation is used to reduce the risk of exposing Non-public Personal Information (NPPI) and Highly Confident Information (HCI). Data obfuscation intentionally masks data to prevent unauthorized access to sensitive materials.

Privacy and protection of personal information is of the utmost importance. Masking or removing personal information on communications or documents that may be received by an unrelated third party is an industry best practice.

We will mask positions 4 through 7 of the account number with the letter 'X' (i.e., ABC-XXXX12).

WEG REPRESENTATIVE E-NEWS**Compliance Corner****Form ADV Part 2A**

World Equity Group, Inc. has recently updated its Form ADV Part 2A. Please use the newest version dated 3/31/2019 for all your new fee-based advisory clients going forward and destroy any old ADV Part 2A documents you have on file.

The ADV Part 2A can be found on the World Equity Group, Inc. website: www.worldequitygroup.com: About tab/Legal Disclaimers/Form ADV. As a reminder, the ADV Part 2A must be provided along with your Individual Part 2B Brochure to any future investment advisory clients at the time you enter into an Investment Advisory Agreement with each client.

Please email or call Compliance with any questions.



Top of the World Recognition Program

March 2019

Chairman's Club
Success Award Level

President's Club
Focus Award Level

James Schroeder

Vice President's Club
Pride Award Level

Todd Balber

Gary Richards

Founder's Club
Excellence Award Level

Brian Sheehy

Patrick Power

Don Cohen

David Kulle

Fred Schrodt

Harvey Hutchinson

Marty James

Brian O'Dowd

Robert Bieniek

Jason Walsh