

Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.

Delta manages portfolios at TD Ameritrade and Schwab.

Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

September 6, 2019

Making the Most of It

Swimmers shave their bodies and cyclists shave their legs. NFL running backs (and other speed position players) often don't use knee or hip pads. In a challenging environment, it pays to reduce drag and maximize efficiency.

A year ago the interest rate commentary was about interest rates going higher. From a low of about 1.33% in July 2016, the 10-year treasury rate was climbing higher until it reached 3.24% last October. The U.S. economy was near full employment and inflation was expected to lift. The Federal Reserve was talking about two to three more rate hikes before 2020.

The U.S. economy is still near full employment and continues to expand. GDP is projected to grow at an annual pace of about 2% through the remainder of the year. Yet, inflation remains well below the Fed target rate of 2% and interest rates around the world are collapsing. The U.S. 30-year rate of about 1.96% is bouncing along all-time lows and is below the Fed Funds rate and the S&P 500 dividend yield of about 2%.

In a low rate environment, it is critical to reduce fee drag and maximize efficiency to get the most out of the yield that is available.

Potential Fee Drags
High fund expense ratios, ETFs and Mutual Funds
Up front loads
Below optimal yield from an investment caused by share class
Poor stock trading execution
Excessive trading (overactive management)
Hidden commissions
High advisor fees
High custodian fees
Mismatched custodian fee structure -- Asset Based Pricing vs. Transaction Based Pricing
Lock-ups which may hurt investment performance and add risk (associated with fees)

Investors may be unaware of the fee drag on their investments. When an investor buys an “A” class mutual fund share (most common), they are burdened with lower yields and higher expense ratios than institutional share class shares of the same asset. Even if an investor is working with an advisor, the advisor may steer their client into the A share as a way to receive commissions. It is critical that investors know what share classes they are invested in and how their advisor receives compensation.

There are thousands of Exchange Traded Funds (ETFs) available in the market. Many are invested in the same assets. Some have high fees and low liquidity. It is important to select the optimal ETFs to achieve a desired investment exposure.

Custodians (e.g., Charles Schwab, TD Ameritrade, Fidelity, Interactive Brokers, etc.) charge fees to custody client assets. Fees can be based on buy/sell commissions or as a flat fee on the value of the account. The variance in these types of fees is substantial. Custodian fees can sap away significant amounts of return. It is important that investors understand and minimize custodian fees.

Advisors can be registered investment advisors and/or broker-dealers. Investors may be paying commissions without knowing it. One red flag is frequent trades and lots of individual positions in an account. Advisory fees are negotiable and should be appropriate for the type of investment being made. In a low yield environment, advisory fees on fixed income investments should be low and the trading activity should make sense.

A self-directed investor may feel they are ahead of the game by eliminating advisory fees altogether. The problem with this is individual investors do not have access to investor share class funds and are often paying the highest expense ratios, loads and

receiving the lowest yields on their investments. Additionally, self-directed investors often pay higher custodian fees than they would if they worked with an advisor.

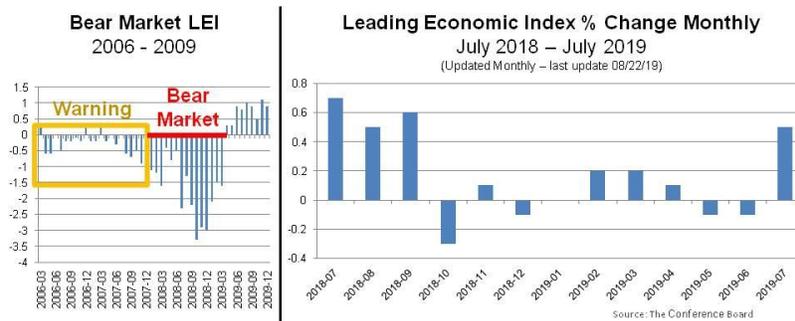
An investor may have the right investments but the wrong fee structure. Delta can take a look at your portfolio and see if your fee drag can be reduced. In investing, it is important you manage what you can control. Fees, in a low yield environment, matter. Let us know if we can help you understand and manage your investment fees.

As a follow-up from last week, the inversion in the yield curve has corrected. The 10-year treasury rate is once again greater than the 2-year rate. For now, this recession warning has abated.

Give Us a Call Today

We invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com if you have questions about how we can assist you in managing your investment accounts.

Delta Stock Market Dashboard



MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

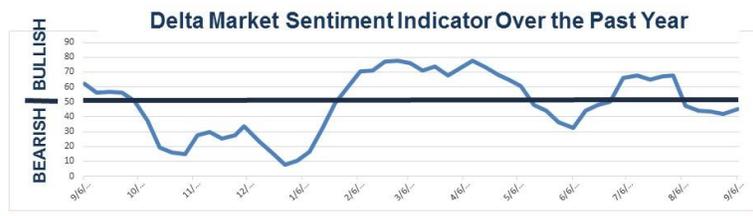
45.4

Our technical indicator increased this week from 42.0 to 45.4

INDICATOR STATISTICS

Consecutive Bearish Weeks:	4
Cycle Inception Date:	8/15/2019
Range:	42.0 - 45.4
Mean:	43.7
Bullish Weeks YTD:	23
Bearish Weeks YTD:	13
*S&P 500	4.7%
*DJIA	4.7%
*NASDAQ	4.6%

* Percentage change during current cycle



(Delta MSI is published every week in *Barron's*)

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