5 Takeaways from the Boston Conference

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David Dietze and I were in Boston last week at a conference hosted by Fidelity investments. Over 15 different Fidelity portfolio managers, strategists and economists presented their view points on topics from the global real estate market to the Federal Reserve interest rate dilemma. We were able to ask and debate many of the questions we frequently hear from our clients and want to share our findings and key takeaways with you.

1. Stay Diversified. Many presenters offered varying viewpoints on the direction of stocks and bonds. At this point in the cycle do not take on undue portfolio risk and one-sided bets. Spread out your investments across multiple asset classes. Understand if you have overlapping investments.

2. Have Liquidity. Avoid investments where access to funds are locked up and can't be had instantly. There have been sudden moves this year in assets like the Swiss franc vs the US dollar, the massive rise of the Chinese stock market, to the recent volatility in German bonds. With the exception of the U.S., central banks globally are still trying to stimulate their economy.

3. Don't Stretch for Income. Treat high yield bonds and preferred stock as equities. Investors craving yield continue to go down the quality curve. This could be a problem if markets become distressed.

4. All Eyes Should be on China. China's economic growth is a driving factor in global GDP. Data out of China claim the economy is growing approximately 7% rate, yet over the past two months the Chinese central bank has embarked on massive economic stimulus programs. Why, if a country is growing at 7% should the central bank be needing or wanting to stimulate the economy? Something doesn't make sense. Make sure your portfolio has downside protection.

5. Interest rates will go up.... Some day. Trying to position your portfolio mainly on US interest rate movement is very risky. The U.S. may be stuck in a new normal of 1-2.5% GDP growth. This will weigh on inflation expectations. The Federal Reserve has to be concerned and aware about the movement of global financial markets on its decisions, despite their insistence on being US data dependent. The Federal Reserve may raise short term rates by year end, but will be “low and slow” in their path. Many presenters at the conference doubted the 2017 3% Fed Funds goal set in 2014.

We came away from the conference with continued confidence in our positioning and process. We continue to favor equities but encourage exposure to bonds. We have typically classified high yield bonds and preferred stocks as equities because of their higher correlation to stocks and will continue to do so. Finally, we continue to work with our clients and their families to understand their global asset allocation and make sure we reduce overlap, concentration risk, and reduce correlation among asset classes through proper diversification and constant review and rebalancing.

Note: John J. Petrides, MBA, is a Managing Director and Portfolio Manager at Point View Wealth Management, Inc., a registered investment advisor at 382 Springfield Ave., Summit, NJ.

CNBC has named Point View number 5 on its list of the top 100 American fee-only wealth managers. See http://www.cnbc.com/id/101619698

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