

Banking & Financial Services

Fidelis Capital, specializing in suddenly 'sexy' bonds, approaches \$1B in assets

'Fixed income is now the new equity,' wealth management exec says



Chris Gunster joined Fidelis Capital this fall as a partner and head of fixed income after previously serving as head of fixed income portfolio management at Bank of America's chief investment office, where he led a team that oversaw \$60 billion for clients.

FIDELIS CAPITAL



By **Holden Wilen** – Staff Writer, Dallas Business Journal
Dec 7, 2023

When discussing the bond market, "sexy" usually isn't the first word that comes to mind.

But after a period of decline as the Federal Reserve hiked interest rates, that's how Chris Gunster describes the bond market heading into 2024.

"Fixed income is now the new equity. We are now the new sexy asset class," said Gunster, a partner and head of fixed income at wealth management firm Fidelis Capital Partners LLC, based in Dallas and Tampa, Florida.

The bond market had one its worst years ever in 2022. The Barclays U.S. Aggregate Bond Index declined 13%, the worst year since its inception in 1976. Bonds and interest rates tend to have an inverse relationship so when the Fed hiked rates seven times last year, bond prices took a hit.

2023 got off to a rough start but the bond market has "recovered nicely" and could even finish the year positive, Gunster said. Now, he said investors have opportunities to take advantage of higher yields. The yield on a 10-year U.S. Treasury is now more than 4%. After taking into account inflation, he said investors can get a "real" yield of more than 2%.

"We haven't seen that sort of positive real yield since 2008, and so that's why fixed income is looking so sexy right now," Gunster said. "I kind of joke that it's a tie between Taylor Swift and fixed income."

Gunster recently oversaw the launch of the first bond strategy at Fidelis, called tax-aware fixed income, or TAFI. Gunster joined Fidelis in September after previously serving as head of fixed-income portfolio management at Bank of America's chief investment office. Private bankers from Wells Fargo and Bank of America **founded Fidelis** last year.

TAFI aims to provide an optimal after-tax yield and after-tax return for high-net-worth clients. Most financial advisers steer investors into municipal bonds to avoid taxes, he said. TAFI brings corporate bonds and U.S. Treasury bonds into the mix as well. Even though they are taxable, they might generate higher after-tax returns than a portfolio consisting of entirely municipal bonds, Gunster said.

"It's all about customizing this to the individual investor," Gunster said. "You won't be able to get the highest after-tax return unless you consider the universe of all fixed-income securities."

The TAFI strategy also helps clients harvest losses in their bond portfolios to lower their tax bills and offset gains in equities. Gunster said the strategy will work the same way even if interest rates go down in the future.

"Going forward, the ability to combine the two – a higher after tax yield and loss recognition on a go-forward basis – that's going to continue no matter where rates are," Gunster said. "The TAFI strategy is designed to take advantage of that in any sort of investing environment."

Fidelis managed more than \$697 million in assets as of Nov. 8, according to a federal filing. CEO Rick Simonetti said the filings tend to lag behind what Fidelis manages in real time, and that its assets are actually closer to \$850 million. He expects the firm to reach \$1 billion in assets under management by the end of the year.