GOLDEY CAPITAL

toll free: 855-GOLDEYS
fax: 855-465-3397
www.goldeycapital.com

New Year, New Lists, New Volatility

Each New Year brings in optimism for future and reflection of past so why should 2015 be any different?

In reflection 2014 and the previous few years have been all about what the Fed is doing and how they continue. This most likely will not change a single bit in 2015 as the Fed might have lightened up on buying their own Treasuries, but they still have influence over rates. From all indications it looks like the long awaited "Rate Hike" just may happen in 2015. The rate hike will not be that significant but there will be a knee jerk reaction in the markets in the weeks following the announcement, with calmer heads eventually prevailing, as the market does not anticipate a series of rate hikes close together. The Fed will be cautious for 2015.

Volatility will remain high and 5-10% swings will probably continue which is unfortunate for this investor. Every selloff has been a buying opportunity as the buzz phrase "Buy on the dips" alludes to, but that is hard to accomplish when you are discretionary manager with fiduciary responsibilities for multiple families whose life savings is their safety net. I see no reason why this volatility will dissipate. The market will continue to be very spikey and not experience <u>baseline</u> for extended periods. I favor a boring market with less volatility as it allows me to build into positions over time. A pullback and rally within 10 days is very volatile, which is why some of the best performance portfolios have come from being fully invested all the time. I still remain cautiously optimistic and looking for bargains.

World events and their influence on the financial markets will continue because we are now forever linked. How fast the market absorbs or shrugs off bad news is yet to be known, after all I am still surprised that the Greek economy has not collapsed by austerity. For those with short-term memory the Greece crisis came **before**; Ebola breakout, Russian invasion of Ukraine, and the collapse of oil. But Greece's crisis came **after;** The Great Recession, US Budget Crisis freeze, and Superstorm Sandy. One constant is North Korean leadership is still crazy, with same last name but a different haircut. We have been sending food to Cuba for years and they have been sending us baseball players, hopefully this relationship can expand with recent changes in legislation and attitude. The French Prime Minister has finally backed down from their 75% tax rate on the rich with the realization that the affluent will simply leave your country and no business would want to be based there. I was happy to see this bit of news as I

4768 Park Granada • #108 • Calabasas, CA 91302

am concerned with the separation of classes and how that manifests itself into legislation that has a negative affect for the very people it is trying to help.

Bargains will be bargains and this never changes, but only time allows this phrase to be accurate. This is the dilemma of being a value investor and disciple of Buffet/Munger as we are not rewarded short-term and patience gets stretched thin as we wait for market price reflection to catch up to earnings power. I have been managing money for eighteen years professionally and I am still in a quandary of why there are so many value bargain stocks in a market that has been in deep rally mode. Berkshire Hathaway is one of our top holdings and I have been an aggressive buyer for the last four years but it wasn't until 2014 that the earnings power of this company uncoiled. The added kicker was that Berkshire had multiple losing positions on some of their top publicly held stocks, but it was the earnings growth of their privately owned companies that really pushed the stock forward.

The search for yield continues in 2015 and I continue to see the shift away from traditional yield safety investments such as Certificates of Deposit, Municipals, High-Grade Corporate bonds and US Treasuries into riskier asset classes such as stocks that pay dividends. You can try and fight the Fed but that is like peeing against the wind, you might feel relief in the immediacy but you're not going to be happy with the outcome. That is unless you have a magical crystal ball that tells you when every micro move will happen and how to avoid stampedes fighting for the same exit door. For the record I would prefer a higher rate environment for my clients that are in retirement and would like to take a more conservative position. But as I wrote in a previous newsletter the USA has too much debt and higher rates would be disastrous on our ability to pay back principle and interest.

As clients of Goldey Capital we would strongly suggest you use the New Year to evaluate all the **controllable** elements of your financial life.

- Have your Trust reviewed if that has not been done in last 5 years or have one created for those in need. Also make sure loved ones know where your documents are stored and who to call in emergency.
- Make sure all your accounts are titled correctly and beneficiaries are listed on all.
- Make sure you have adequate Umbrella Insurance coverage on your personal homeowner's policy.
- Protect documents and passwords. Goldey Capital will give free advice to any of our clients on the methods we use to backup and secure client information. Have a disaster plan in place before a disaster occurs. Prepare don't react.

Finally to all our California clients we acknowledge that our state has; the highest taxes, drought, political issues, and a myriad of other issues (Justin Bieber). But we also supply food for most of the nation and are still a destination of choice for people to work, visit and retire. We are hopeful that 2015 allows each one of our clients the opportunity to enjoy all the beauty that this state and its people have to offer.

All the best,

Ian Goldey

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President