GOLDEY CAPITAL

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

Buffet/Munger & Berkshire 2015

Berkshire Hathaway one of the most successful investment vehicles led by one of the most successful investment teams under-performed the S&P 500 last year and lost 12.06%. The reasons varied but the results reflected the turmoil in the market.

The Fed finally raised interest rates by .25% and in my opinion this was long overdue. REITs (Real Estate Investment Trusts) and other income oriented investments received an added dose of volatility as the market tries to predict future interest rate hikes. What I do not see is the analytics applied to companies that have already hedged rate increases for their favor such as STWD (Starwood) and their adjustable LIBOR rates. Time seems to catch up with fundamentals meanwhile in the short run I try and absorb the volatility with the comfort gained with regular dividend checks.

The strength of US Currency and the collapse of oil prices are far reaching events. Only in economics could the situations of lower oil and a strong dollar be bad for America. Yes, it is good to pay less for a gallon of gas, especially for airlines with this single large input cost. A great deal of US jobs are tied to the fracking boom along with other emerging industries in solar that all become affected by low oil. The global stability of countries highly dependent on oil causes added fear to investors worldwide. Saudi Arabia kept its people happy with large subsidies to match their high oil revenue, and this is all collapsing as we speak. Increased oil output from Iran puts further strain on pricing pressure.

A strong US Dollar is great for travelers abroad and bad for companies that base their revenue on a foreign currency that gets converted. How many of these companies are even paying their full share of US taxes is in high-dispute with foreign tax loopholes allowing assets to stay offshore at much lower tax rates.

The IPO market in 2015 was another reflection of volatility and also how the investing community is re-thinking each investment dollar of public versus private companies. Fewer new public issues does not mean entrepreneurs are dead nor financing invisible, but it has given birth to the phrase “unicorn”. This fabled moniker is used to identify a private company whose value exceeds $1bb. Who is funding these huge private companies? Investors range from hedge funds, sovereign countries wealth funds, and even retirement pension funds. Private investing is a different form of diversity and gives the ability to potentially catch a company on its upward growth curve. In a low-interest world the risk/return ratio looks very appealing.

4768 Park Granada • #108 • Calabasas, CA 91302

For 2016 I expect volatility to continue so we will be looking for bargains that hopefully pay nice dividends or those that have potential good risk/reward ratios. The focus will continue to be US Domestic and in businesses that have wide moats, brands names, or necessary business.

All the best,

Ian Goldey

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President