# KCM'S KOMMENTS—KURRENT NEWSLETTER

## KELLY CAPITAL MANAGEMENT, LLC

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**MARKETS, ECONOMY AND WORLD ISSUES:**

**World events played a big role this past quarter and year. Ukraine, Israel and Palestine, Argentina, Brazil, China, Japan, Ebola in Africa, ISIS, the major drop in oil prices, and a slow economic recovery in Europe all made the news and affected our markets. Domestically, with the November U.S. elections now behind us all political eyes are focused on the next Presidential election. So don't expect anything much getting done in Washington other than bills that favor getting one party elected over the other. It is also not that likely the dollar will weaken, or that oil prices or domestic interest rates will rise much, if at all, in 2015.**

**From a total return standpoint, our domestic equity strategies suffered from the temporary decline in energy related stock prices this past quarter. Nevertheless, all strategies ended with a positive net total return and enhanced their year's positive net total returns. In particular, our large cap value stock-picking strategy turned in a double digit, net total return and was our best performer for the year. Our emerging markets strategy did not have a positive quarter or year. In the quarter we took a meaningful step in reducing our exposure to emerging markets' stocks by 50% and placed the money in an S&P 500 Index ETF. This step helped our return. Our real estate strategy turned in a positive, net total return for the year. Who would have thought in 2014's slow growth economy we would see a return of over 22% for real estate? We continued our relatively short duration strategy throughout our fixed income investments. This helped preserve value when periodic shocks to the bond market occurred over fear of the FED raising rates.**

**Our controlled risk, target date and yield-oriented strategies all performed well. It was gratifying to see the yield strategies turning in both positive returns for the year (in some cases as much as 16%) *and* generating the income expected, and needed, by the clients.**

**So what are we expecting in 2015? There is no current evidence to show that things will be greatly different in 2015. So history shows staying fully invested should reap the best net returns. Nevertheless, with all the math wizards programming flash trading, we need to be more nimble and flexible in what we do. We intend to continue our progression toward a more flexible approach to asset class, sector and industry exposure, as well as stock selection in our domestic strategies. We will also continue our willingness to make material shifts among the country exposure we have in our foreign stocks. We shall keep our broad but selective approach to institutional real estate intact. We shall also continue our shorter duration exposure in fixed income.**

**In the end, what our clients count on from us is to make, not lose, money for them. How we do that they leave up to us and just ask we not take too much risk in the process. We hear you.**

***2014 marks our firm's 10th anniversary. Thank you to all our clients and supporters!***