

KCM'S KOMMENTS—KURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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1ST QUARTER 2015 REVIEW

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MARKETS AND ECONOMY:

Our forecast made last year has held up so far. There has been little economic change in 2015. Our March visit to Paris to meet with many worldwide financial officials, US Fed presidents, academic specialists, and investment professionals further confirmed there is no current evidence to show that things will be greatly different in the remainder of 2015. History shows staying fully invested should reap the best net returns. We did so in the 1st quarter of 2015.

Oil prices have little need to rise for what may be several years. Iran is more open to nuclear limitations. Even Putin has been relatively quiet as we moved through March. The level of domestic unemployment remains a key issue in the FED's data driven decision to eventually raise interest rates. Only time will tell when the rate triggers FED action. Overall, the consensus in our shop, as well as at the Paris meetings, is that the US economy and markets should be the strongest of all this year. Selective emerging markets will likely become more attractive this year. Nevertheless, we must remain 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 exposures 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.

RESULTS:

Overall, our strategies matched, and in several cases beat, their respective benchmarks for the quarter. Again, our domestic All-Cap Multi-Style Strategy came through even with soft January and March markets. Our Large Cap Value Strategy slayed its benchmarks. Our Emerging Markets Strategy was substantially ahead of the MSCI Emerging Market Index and in line with the related iShares Emerging Market ETF (EEM). Our Fixed Income Strategy was almost four times better than its taxable benchmark and almost eight times better than its municipal bond benchmark. The real hero for the quarter was our Real Estate Strategy which came in at 6% net versus the Dow Jones REIT Index benchmark at 2.9%.

Our Target Date and Controlled Risk Strategies also did well against their benchmarks, We have always felt we run Target Date Strategies better than the typical mutual fund firm runs its Target Date Strategy. As time passes our contention is being confirmed.

Well, Spring is approaching here in the East. Let's all hope it proves to be a modest weather transition from the tough winter many of our clients, e.g. Boston, suffered through.