

KCM'S KOMMENTS—KURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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CURRENT MONTH'S REVIEW

HAPPY 11TH BIRTHDAY KELLY CAPITAL MANAGEMENT, LLC !

OCTOBER 2015— KOMMENTS

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MARKETS AND ECONOMY:

October witnessed more volatility but the trend was definitely positive as opposed to negative. So, we took the cash cushion we had developed in the prior month or two and put it all to work: clients came out of October fully invested. We expect to remain so as we proceed into 2016.

Overall, there seems little justification for the FED to start raising rates as inflation pressures are not present and the economy is, at best, only slowly growing. The 2% FED targeted inflation rate has yet to be met. The labor force participation rate remains at its lowest in 38 years. We continue to believe that oil prices have little need to rise for what may be several more years.

We continue to believe that the U.S. economy and markets should be the strongest of all the world's this year. In last quarter's newsletter we stated we must remain nimble and flexible in what we do. This was true and was reflected in our reversal of our cash cushion, reduction (and in some accounts complete removal) of exposure to emerging markets' stocks, and maintenance of our shorter duration/average maturity in our bond portfolios. We shall keep our broad but selective approach to institutional real estate intact even though the fear of interest rate increases and low oil prices have depressed some real estate values. It is important to note that our direct contact with each institutional real estate provider confirms their dividend payment levels remain secure and reliable.

RESULTS:

October witnessed our Emerging Market strategy coming in with the best return, followed by our Large Cap Value and All Cap Multi Style domestic equity strategies respectively. Real Estate and Fixed Income came in behind the equities. Our Balanced Account strategy in all its forms produced a solid return given that each participating asset class in the strategy contributed positive results. The more equity exposure, the better the October return.

Our yield oriented strategies continued to provide reliable, steady income to clients regardless of market value volatility. Controlled risk strategies provided returns consistent with their broad asset class exposures and the volatility associated with such exposures.

THANK YOU:

To all our clients, many of whom we have served under 3 different company names in the past 25 years, we thank you for being Kelly Capital Management, LLC clients over this past 11 years!