KCM'S KOMMENTS—KURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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2ND 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. 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 during the 2nd quarter.

We continue to believe that oil prices have little need to rise for what may be several more years. 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. Employment rates and industrial output continue to slowly grow. We continue to believe that the US economy and US markets should be the strongest of all the world's this year. Selective emerging markets will likely become more attractive this year and resolution of the Greek crisis will help everywhere. 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 even though the fear of interest rate increases is depressing real estate values. It is important to note that our direct contact with each institutional real estate provider confirms their dividend payment levels are secure and remain reliable. We shall also continue our shorter duration exposure in fixed income so as to limit negative market value impacts from hypothecated, or real, interest rate increases.

One open issue that may be resolved in 4th quarter is the direction of the dollar exchange rate. Possible entry of the Chinese yuan as a world reserve currency could depress the dollar. More on that later….

RESULTS:

This quarter was volatile. From an asset class vantage point, domestic equities remained at the top but real estate fell to the bottom. Emerging market equities trailed domestic stocks. Any bond exposure also impaired returns. Our large cap value stock picking strategy was our big winner. Year to date the asset class batting order remained the same as that of 2nd quarter.

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.

We remained fully invested during the quarter and expect to continue to do so for the 2nd half of the year.