

# KCM'S KOMMENTS—KURRENT NEWSLETTER

## KELLY CAPITAL MANAGEMENT, LLC

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### 4TH QUARTER 2016 KOMMENTS

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#### MARKETS AND ECONOMY:

The fourth quarter experienced volatility in both the up and down directions. Concerns over interest rate changes, foreign economic disruptions (e.g. BREXIT), and our domestic Presidential election all combined to make both the quarter, and the full year, a real bumpy ride. Nevertheless, we withstood the negative forces, stayed invested, and our clients tended to make money. For clients needing income, we again reliably generated the needed cash when expected. The realized capital gains tax impact was also mitigated by our approach. Few clients had taxable realized gains even though their accounts grew in net market value.

#### RESULTS:

For the quarter and full year, all our strategies mirrored the general markets' directions. Our real estate, fixed income, and emerging markets equity strategies were all down for the quarter, but up for the year. Our domestic equity strategies were all up for both the quarter and full year. For the quarter and year, the more fixed income and real estate in a client's portfolio, the lower their total return.

Our domestic stock strategies were, again, the real winners for the quarter and full year. Compared to the rest of the world, US stocks were the place to be. Our All Cap Multi Style {"ACMS"} strategy returned almost 2 times that of the S&P 500 Index for the quarter. For the year, ACMS was up over 18% versus the S&P 500 Index up just under 12%. Our Large Cap Value stock picking strategy was positive for the quarter and up almost 8% for the year.

Our Emerging Markets Strategy {"EMI"} quarter's return was negative but in line with the Emerging Market Index. For the full year, EMI was up almost 13% versus the Index up just over 11%. Our EMI strategy remained our second best performer for the year.

Our Real Estate Strategy {"REAL"} was negatively affected during the year by fear of potential, then actual, interest rate increases and falling oil prices. Now oil prices are moving up, interest rate changes are known and economic development is continuing. All of which have allowed for improved REAL strategy results. For the year REAL was up just over 2%.

We shall remain fully invested going forward unless something material arises to change our outlook. We believe the USA equity market will continue to rise and be the best equity market worldwide. We shall keep our average maturity in our fixed income strategy around its current 4.5 year level to protect portfolio values in an increasing rate environment.

Thank you to all our clients for allowing us the privilege of managing your portfolios in 2016!