

KCM'S KOMMENTS—KURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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MARKETS AND ECONOMY:

Yep, it's election time. The candidates have not, so far, pushed the markets in any direction. That's a good thing. As we get closer to election day, hopefully we will hear from all candidates a clear explanation of their fiscal, monetary, and overall economic policies. Until then, the markets will continue their current volatility.

This past quarter saw domestic and emerging markets stocks rise but real estate and bonds declined. The hunt for yield to augment current income continued. The FED didn't raise interest rates as economic growth was sluggish. Overall, the best asset class was emerging markets equities which generated about 2.3 times what domestic stocks realized. The domestic real estate market realized a negative 2.2% return versus domestic equities enjoying a 3.8% positive return. Market leadership is rolling away from the income generators and more toward the "risk on" assets like stocks.

RESULTS:

For the quarter, all our strategies mirrored the general markets' directions. Our real estate strategy was down but remains firmly in the black year-to-date. The fixed income strategy was flat and for the year-to-date remains about 3 times the return of the US Treasury 1-3 Year Index.

Our domestic stock strategy {All Cap Multi Style} was up about a full percentage point ahead of the S&P 500 Index. Our Large Cap Value stock picking strategy was positive for the quarter and year-to-date was up about 2 percentage points ahead of the S&P Value Index.

Our Emerging Markets Strategy {"EMI"} had a tough August which brought the quarter's return in just under the Emerging Market Index but still well in the black at over 8%. For the year-to-date, the return for our EMI strategy is still about 5 percentage points ahead of the Emerging Market Index and is the best performing strategy of all.

We shall remain fully invested going forward unless something material arises to change our outlook. We believe the equity markets will continue to rise but at a sluggish pace. We think there is a 20% chance of a FED interest rate increase but that won't happen until the election is over.

On balance, our clients again made money this quarter. All is well.