

# KCM'S KOMMENTS—CURRENT NEWSLETTER

## KELLY CAPITAL MANAGEMENT, LLC

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### ECONOMIC & MARKET KOMPASS



DECEMBER 2013— KOMMENTS

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### MARKETS, ECONOMY AND STRATEGY—

2013 was a year marked by volatility, uncertainty and some extremes such as our Federal Government's shutdown. Fear over FED tapering led to negative bond market impact. Increases in interest rates led to price decreases in both bonds and real estate. Problems in Europe remained largely unresolved. Concerns about the emerging markets made positive returns there almost non-existent. Commodities did not offer meaningful returns and even gold lost much of its luster. On balance, it was US equities that lead the world's markets.

Fourth quarter witnessed the FED finally beginning tapering. The bond and real estate markets moved down and the equity markets moved up worldwide. Maybe people are beginning to accept tapering represents a better economy which needs less stimulus.

### OUR STRATEGIES:

We continued to be fully invested in the fourth quarter which allowed us to experience the full impact of the upward move in both US stocks and emerging markets that occurred as investors shook off bonds and real estate in favor of riskier asset classes. For the quarter, our All Cap Multi Style and Large Cap Core strategies were both up 9.4% (net), our Large Cap Value stock-picking strategy was up 10.2% (net). Our Emerging Market strategy continued its prior quarter's upward trend and was up another 3.8% (net). Our Real Estate strategy was down 3.1% (net).

For the year, our All Cap Multi Style strategy was up 33% (net) versus the Wilshire 5000 benchmark which was up 31.4%. Our Large Cap Core strategy was up 33.1% (net) versus the S&P 500 benchmark which was up 32.4%. Our Large Cap Value stock-picking strategy was up 31.9% (net) versus the S&P 500 Value Index benchmark which was up 29.2%. Our Emerging Market strategy was down 1.6% (net) which compares well to the MSCI EEM benchmark which was down 5.7% for the year. Our Real Estate strategy was up for the year 5.6% (net) versus the Dow Jones REIT Index benchmark which was down about 1%. Any portfolio holding large amounts of bonds, or was one of our "yield oriented" strategies, received the expected income but had little if any growth in market value.

### GOING FORWARD:

We shall remain fully invested and keep an open eye for appropriate changes in portfolio holdings. We wish you all a healthy, happy and successful New Year!