

KCM'S KOMMENTS—CURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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ECONOMIC & MARKET KOMPASS



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MARKETS, ECONOMY AND STRATEGY—

October was generally a positive month for domestic and emerging markets equities, real estate, and fixed income. The fixed income arena was anemic — just barely making a positive return across all maturities. US equities beat emerging markets equities. Value lagged core in large caps, but not by much. Lastly, institutional real estate picked up in October, generating almost the entire year's return in just this one month. The Government shutdown ended, and government employees were paid what was owed them.

OUR STRATEGIES:

Our All Cap Multi Style was up 3.9% (net), Large Cap Value was up 3.7% (net), and Large Cap Core was up 3.3% (net). Our Emerging Market strategy continued its prior quarter's upward trend and ended October up 3.1% (net). Our Real Estate strategy ended October in the black again at 10.9% (net) for year-to-date versus its benchmark at 4.3%. All of our Target Date and Controlled Risk strategies were solidly in the black for the month, net of fees.

GOING FORWARD:

We did not see an advantage to building much cash this year. Even though the ride can be rougher, it's almost always best to stay fully invested according to one's asset mix strategy. We see no long lasting, negative effects from the Government shutdown. Middle-Eastern political unrest and uncertainties arising therefrom will continue to plague the markets for some time to come. We see no short-term material risk to oil supplies or market returns. Oil prices may well continue downward as industrial demand for oil/oil products falls.

HAPPY BIRTHDAY:

October 31st marked our firm's ninth year in business. Although many of our clients have been with our team much longer (some for 23 years), it is pleasing to us that we have so many that have been with us, or joined us, since KCM's inception. At our firm we aspire to establish lasting relationships built on our ability to provide the level of service our clients deserve and returns our clients require to meet their needs and goals.