



INVESTMENT NEWSLETTER JANUARY 2015

A ROUGH START FOR 2016

After coming through a very rocky 2015 ending with a smallish Santa Claus rally at Christmas, I was expecting a tepid start for 2016. Instead the investment markets cratered, bringing the net result for the past three months of November-January to -8% for all stocks, and -10% for small cap, mid cap and health care funds. Following the trend of what I have seen in the past 25 years, the drop was precipitous and unforeseeable. On the other hand market increases have been gradual, but have eventually out run the drops. Gratefully, since the end of January we have seen a small market increase, easing a tiny bit of the pain of the past three months.

When you review the results for your portfolio for last quarter, please bear in mind two important caveats. (1) Most mutual funds are required to pay out their dividends and capital gains annually and it usually happens in this quarter. Consequently some of the loss shown for individual investments for this quarter is simply a transfer to cash which shows an increase. (2) Do look at the overall portfolio change. The loss this quarter will be a give back of prior gains for those who have been invested over two years. For recent investors this is harder to accept, but from past performance this has been the inevitable cost of being in the market when it reverses.

So--what should we do after being hit with January's market drop? If this is just the beginning of a continuing decline, a sale of part or the entire portfolio is in order. But if this is more of the cyclical (roller coasting) ride, then we should remain largely invested- and locked in despite the loss of the past three months.

You may want to consider decreasing holdings in small cap and international funds as these have historically taken a while to recover. For some this may be an opportunity to invest, but generally I would suggest holding your cash for a few months and seeing what develops in the spring. Bottom line? Everyone has a different investing outlook and you need to stay true to YOUR investing plan.

As always, please call or email whenever you have investing or financial matters to discuss.

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