CAIM Catherine Avery Investment Management

The Intelligent Investor

2015 and the 8th Wonder of the World

January 15, 2016 | Issue No. 68

Greetings!

Catherine Maniscalco Avery

As I write this note it is not such a happy Friday for the markets. 2015 was tough but the first 2 weeks of 2016 have also been difficult.

However, as I reflect on what is happening in the market, I am actually happy to see the market finally correct. For the first time in a while, I am finding many opportunities to buy high quality dividend paying stocks with yields of 3.5% or greater at attractive valuations, i.e.; they are on sale. Markets cannot go up in a straight line, they must correct to continue the upward movement.

At this time we ask people to:

1. Review their asset allocation.
2. Make sure that the cash you need to live on for the next 2 years is in the bank.
3. If you have excess cash on hand this is a good time to buy some stocks yielding over 3.5%.

While these times may be scary for people (it is always scariest at the bottom), remember you have 3 choices:

1. Keep your money in cash at the bank earning 0%.
2. Buy a 10-year Treasury yielding 2% with no growth.
3. Stick with CAIM's dividend portfolio yielding 3.5% with long-term growth.

This month's newsletter is a review of 2015. It is a little long and technical but if you have any need for clarification, please do not hesitate to call.

Warm regards,

In This Issue

2015 & 8th World Wonder

Holiday Stocks 2015

3Q 2015 Market Update

Quick Links

12 On The Money

CAIMLLC.com

Bankrate.com

Financial Planning Mag.

FOX Business News

CNBC

The Financial Post

The New York Times

Baby Boomer Investing 101

Complimentary Portfolio Evaluation

Find Out More

Call me at 203.966.2712
or visit www.caimllc.com.

Catherine

Catherine Maniscalco Avery

The backbone of CAIM is to employ a classic long term investment strategy including dividend paying stocks. CAIM is an independent, women owned investment management firm specializing in managing investment portfolios for women and baby boomers.

203.966.2712 p
203.966.5697 f

www.caimllc.com

2015 and the 8th Wonder of the World

Happy New Year! I am glad to have 2015 behind us. It felt like a year of running on a treadmill; working up a sweat but getting nowhere. During 2015 we held exhaustive debates about whether or not the Fed would raise rates, whether the economy was growing or not, and how much of what happens in China has an impact here in the U.S. The end result was a market showcasing a broad market average, as measured by the S&P 500, that was basically flat. So while the headline number for the average may have seemed fine, it appears most investors experienced negative returns in 2015.

The so-called 'defensive' hedge funds as a class were down in 2015 for the year. With down performance and large fees, most failed to live up to expectations of protecting capital. So much for 'hedging'. Further, over 86% of money managers lagged the S&P 500 market index , which was up only slightly for the year, with the 10 largest stocks accounting for all of the positive return. But there was no breadth. Take a look at these eye opening statistics:

- 60% of the stocks were down 10% or more.
- 33% of the stocks were down 20% or more.

While most funds were down notably during this past difficult year, CAIM's defensive dividend strategy was able to preserve nearly all your capital during this same period. Albert Einstein once called compound interest the "8th Wonder of the World". It is certainly the engine behind the philosophy of owning high quality dividend paying companies, because it provides the built-in ability to continue to buy more stock, and earn even more cash from dividends, regardless of the direction of the market.

According to a study by Societe Generale, over a 12 month period of time, 62% of your returns are driven by the market and 38% from dividends. **But over 5 years just 18% comes from the market while 82% comes from dividends!**

Rising interest rates, currency translation from a stronger dollar, weakness in Europe, a financial crisis in China, plunging oil prices, a weak industrial sector, and geopolitical tensions will continue to be strong headwinds for corporate earnings.

And while clearly the market was defensive in 2015, we believe this sets us up well for our strategy in the year ahead.

For example, lower oil prices will put more money in consumers' pockets, inflation is still trending below 2%, which means the Fed will most likely be very slow to raise rates further and investors will have a difficult time leaving their money in cash with the 2- year treasury currently yielding 0.94%.

The correction we have seen in stocks opens up an opportunity to find some attractively priced companies with dividend yields greater than 3.5%. We expect the markets to move in a trading range this year with a greater frequency of pullbacks. But we believe our discipline will continue to return cash to investors even in difficult markets. Note that our portfolio is currently yielding 3.5%, nearly double the yield of the market.

We understand how difficult it can be for clients to live through these types of markets. Remember, however, that history has shown us that sticking to a sound and disciplined investment philosophy over the long-term can prove rewarding.

2015 may have been a difficult year for investors but we need to remind ourselves that markets often need to readjust in order to go up further over the long-term. 2016 may not be an easy year either but the market does not appear overvalued. Many individual companies are trading at attractive prices with compelling dividends and strong financial stability.

Wishing you a healthy, happy and prosperous 2016!

Holiday Stocks 2015

'Tis the season for giving and CAIM has always advocated the gift that keeps on giving, namely.....Read more

3Q 2015 Market Update

Slow growth in China, declining oil prices and the uncertainty of rising interest rates here in the U. S. all played a role in...Read more

Please pass along this newsletter to friends and family to spread the word!

Write For You

www.write-for-you-com