

KWAG Mid-January Update

Good Afternoon! I hope this update finds you looking forward to a nice relaxing weekend. I'm looking forward to the weekend, because I'll get to spend it in Jacksonville, NC where Kellie will be having her first of many baby showers over the next few weeks. We are now less than eight weeks from her due date. We are really looking forward to having these two girls. If you read this update thoroughly, you'll find the top four girls names on our list. Some are unique...others more common. Happy Hunting!!

Client Dinners

Of course, I'm also excited about heading towards the east coast because it signals the start of our annual client dinners. For those of you who cannot make the dinners, we will be taping the first dinner at Ocean Isle and we will post the dinner presentation on Youtube.com in about a week (after it's been properly edited). Below, you can find the dinners, the dates and the locations. **For those of you who are used to going to the Brook Valley Country Club in Greenville, NC, please note the change in venue to the Hilton.** BVCC is undergoing a number of major renovations.

Ocean Isle, NC | Monday, Jan 26th | Sea Trails Convention Center | 6-8:30 PM
Greenville, NC | Tuesday, Jan 27th | Greenville Hilton | 6-8:30 PM
Asheville, NC | Thursday, Jan 29th | Country Club of Asheville | 6-8:30 PM
Ithaca, NY | Tuesday, Feb 10th | Hilton Garden Inn | 6-8:30 PM

Please RSVP with your specific advisor or email Kristen Below at
kbelow@thekielygroup.com

You can also RSVP with Kristen by phone at 252-439-1888

During the dinners, I will provide some insight into how our markets have behaved over the last 15 years. There are storms on the horizon, so I want you to understand how (and why) we are allocating our portfolios a certain way, and I want you to understand what kind of thought has gone into choosing our specific money managers.

There are things you have 100% control over when it comes to building a portfolio and managing over time. Most investors obsess about the markets returns and recent economic events...neither of which you have control over. I'll go over the things we can control and how they affect a portfolio over time.

I hope you enjoy the presentation...I always look forward to the feedback. The first name we are considering is Piper. Piper Kiely. That name may be set in stone.

The Newsletter

Yesterday afternoon, (Wednesday, January 21st), we sent out our quarterly reports and our third quarter newsletter. The newsletter is a little bit longer than normal, but we felt like it was well worth the extra information and insight into how we “protect our portfolio’s on the downside”. The beauty of this strategy, is it lends itself to “upside returns” as well. In essence, downside protection and upside returns are highly correlated. We also discussed the folly of short term predictions, investor psychology, Black swan events, long-term stock market trends, five lessons we’ve learned over the years, and eight ways to protect your portfolio during market dips. Admittedly, there is a lot to digest. So take your time reading, get a good cup of coffee and take a few notes. I think you’ll like the newsletter. The second name we are thinking about is Blake. Blake Kiely. I know it’s a bit different, and people will tell me it’s a boy’s name, etc. However, as much as I appreciate being named after my grandfather Joseph, you have to admit “Joe” is a bit plain. I want my kids to have character and I want them to be unique. Look up Blake Lively...that may help.

The Stock Market

I have to admit it’s been very interesting hearing people’s thoughts/feedback on the stock market. Many seem to forget, that on October 14th, 2014 (or about three months ago), almost every single stock market index was negative (both globally & domestically) and the S&P500 was only up 2% for the year. There has been a nice year-end rally, but I’m not sure people understand what drove that rally or if its sustainable. I’ll address that thought at the dinner.

Second, when you examine stock market returns, small cap stocks have outperformed large cap stocks 12 out of the last 15 years and they have done so by a very significant amount. It’s the whole reason we own small and mid cap stocks. We know they provide a significant premium above the S&P500 over time.

Interestingly, this year large caps and the S&P500 increased 11.39%, while the rest of the market lagged pretty far behind.

The Russell 2000 was up 3.83. The NYSE (a gauge of all stocks that trade on the NYSE) was up 4.22%. World stocks were up 2.76%. And, the Europe Asia and Far East (EAFE) index was down -7.35%. If you own a well-diversified portfolio (which includes global stocks), you're not going to match the S&P500. But, that's okay, since our goal is not to match the S&P500 over one calendar year. Our goal is to beat the S&P500 by a significant amount over time! And you do that by owning a well-diversified portfolio that embraces all of the areas the stock market.

One of the topics I'll address during our dinners is the myopic short-term behavior of many stock market investors who use a "rear view mirror" to invest. By inadvertently placing too much emphasis on the most recent events, they often make poor financial decisions, which cost them dearly in the long run. Studies show the average investor earns about one-half of what the S&P500 does over long periods of time. We don't want to be those investors. So, we don't want to place too much emphasis on one year...or the previous three months.

Thank You

As usual, if you have any questions about this update, our newsletter, your accounts or our managers, please feel free to call or e-mail us at any time. The recent referrals are much appreciated and we thank you for your continued confidence in our firm and our services. If you need anything or your goals or time horizons have changed, please do not hesitate to call or drop an e-mail to set up an appointment. We are here to serve your financial needs, whatever they may be.

We look forward to seeing you at our client appreciation dinners!

- Joe and The Gang at KWAG

PS: The final name we're thinking about is Kaitlyn. Kaitlyn Kiely. It just has a nice rhythm to it. I know I said we had four names...but the others are way down the list...and none of them seem to be singing to me right now. I look forward to seeing you all over the next few weeks. Have a great weekend!

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