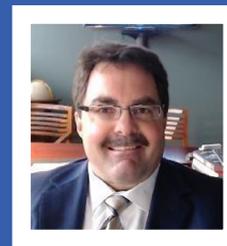


Braeburn Observations

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GENERAL MUSINGS

“Intelligent people are full of doubts, while the stupid ones are full of confidence.” This quote by writer, Charles Bukowski, is one you might keep in mind as you navigate the myriad of financial and stock market prognosticators out there. As someone who loves to read financial news, I can tell you that strong opinions have never been more abundant. I can also assure you that there is little I am sure of at the moment, although that certainly doesn’t make me intelligent- perplexed and reflective might be more apt descriptions of my current observations.

You don’t have to read much to find some expert who is certain that the stock market would collapse absent the Fed’s dovish tone, as of late. Those same experts foresee the inevitable collapse when the fed does resume hiking interest rates. Yet *Ned Davis Research* would suggest that the pace of tightening greatly influences market direction when the Fed moves interest rates higher. Tighten slowly, and markets have historically responded favorably. Tighten aggressively, and the markets tend to respond negatively.

Utility stocks are a sector that is frequently cited as being overvalued. When looking at the sector from a historic perspective, I might be inclined to agree. Also, many of the utility stocks we own for clients are currently selling at or near the price that *Value Line*

projects they will be at in three to five years. What part of this am I doubtful about? If interest rates rise I would respond “not much.” However, if interest rates remain at historically suppressed levels and quality utilities continue to operate and raise dividends, they may not be overvalued.

“Buy the FANG stocks” was the mantra heard by hedge funds and other enlightened investors in recent years. FANG is an acronym for Facebook, Amazon, Netflix and Google. One thing I am fairly certain of is that when a theme becomes so widely followed that a catchphrase like FANG develops, that theme is fairly long in the tooth.

TALKING PERFORMANCE

As one who has sought for years to deliver performance for our clients and for myself, I am constantly “performance-conscious.” That said, a study of the performance of the best stock market masters long ago, listed in *MarketWatch*, lead me to the conclusion that the overall market is going to set the trend for your performance. You may outperform in some years and lag in others. For the last 12 months, large-, mid- and small-cap US stock market indexes have had negative performance, as have most of the best money managers. (continued on page 2)

The *Braeburn Observations* is our means of sharing with clients and interested parties what it is we are reading in our research. These are research items, news and statistics that are being considered as we make investment decisions for our clients. Items noted do not necessarily drive an investment decision in and of itself. We are trying to make the best decisions we can given all that we are looking at. We also highlight key financial metrics that will provide a “point in time” glimpse of how the financial markets are behaving. Again, it is often the trend in these metrics and/or anticipated movements that drives our decision making in our clients’ portfolios. All observations are taken at a point in time and should not be used to infer our opinion or to rely upon as a matter of fact that we are currently acting upon.

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Large cap funds are down over 2.5% year-over-year while small caps funds are down over 6%. I am certainly not troubled by this. Historically, this is to be expected and until the last year we've had a nice ride. At **Braeburn Wealth Management** we understand this. We also work to construct portfolios for our clients that are designed to help navigate challenging markets and markets where the wind is at our back. In those positive years, where the market is doing the lifting, be assured that I will not claim all of the credit for wonderful returns. As the old saying goes, "don't confuse a bull market with brains."

The market is up over 200% since the 2009 lows. As I've pointed out on numerous occasions, much of this bull market has been characterized by historically low volatility. Certainly, if history is our guide, this will not always be the case. Ugly markets are to be expected. Proper allocation and cautionary posturing can alleviate some, not all, of such negative returns. Having a diversified portfolio and disciplined actions can still help you achieve long term goals, provided they are not out of line with long term market expectations.

About Our Research Sources

Lowry's – Based out of Miami, Florida Lowry's is the oldest continuously published Technical Investment Advisory service in the US. Their work, which gives insight into the underlying supply and demand dynamics of the market, is based upon a daily examination of all stocks on the New York Stock Exchange and Nasdaq Stock Market. Lowry's has pioneered work in the statistical analysis of upside and downside volume statistics including their exclusive measure of buying and selling pressure.

Value Line – Founded in 1931, Value Line is an unbiased research firm providing intuitive investment research on companies, industries, markets and economies. Value line provides astute fundamental research, trending information and historical data that allows for shrewd decision making.

Barron's – Since 1921 Barron's has provided investment analysis and insight in its weekly publication and, in recent times, it's continuously updated web site. Barron's provides a wide range of perspectives, expert analysis and interviews with financial and investment professionals.

Zacks – Founded in 1978 by Len Zacks, PhD. MIT, Zacks is an investment research firm pioneering work in the area of corporate earnings estimate revisions and stock performance. Zacks believes, and Braeburn agrees, that Earnings Estimate Revisions are the most powerful force impacting stock prices.

Investor's Business Daily (IBD) – A daily newspaper designed for the individual investor. All of its products and features are based upon the CAN SLIM Investing System developed by its founder William J. O'Neil. This system identifies the seven common characteristics what winning stocks display. For more on this see his book "How to Make Money in Stocks."

Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven, cyclical and seasonal tendencies.

The Fat Pitch - an acclaimed blog that the Business Insider ranks on their annual list of the Top Finance People to Follow. The blog is written by Urban Carmel who has had a long career in financial markets. This blog discusses trends he sees and the business of managing money.

Mauldin Economics - Best selling author, analyst and financial writer, John Mauldin, taps into his network either directly or through the reams of high-level research he's privy to on a regular basis, to assist in identifying the smartest investments for today's markets; then carefully screened and evaluated by a team of ace analysts.

