

Five Years into a Historic Bull Market: Generating Income, Finding Opportunities and Avoiding the Pitfalls

Presentation to

Activities Unlimited

Investment Study Group

Thursday October 16, 2014

Time: 9:30 AM

WRC Bldg. –Third Floor



David G. Dietze, JD, CFA, CFP™
Point View Wealth Management, Inc.

www.ptview.com
800-252-7854

Who Is Point View Wealth Management?

- Independent, fee only registered investment advisor
- For nearly 25 years, have served private clients, some non profits
- We manage over \$200 million
- What distinguishes Point View?
- Independent, objective, open platform, not representing security issuers
- Fee only, transparent, do not receive commissions, no hidden incentives
- Reputable third party custodian (Fidelity), to ensure asset security
- 85% of our assets in direct holdings as opposed to funds
- Consistent performance and personal trust
- Tax sensitivity
- Financial planning
- Great team



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Developments at Point View

- CNBC Ranking
- Asset Growth
- New Staff
- Institutional Clients



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CNBC Ranks Point View #5 in US



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CNBC's Criteria

- having staff with professional designations such as a CFP or CFA
- working with third-party professionals such as attorneys or CPAs
- average account size
- client segmentation
- growth of assets
- years in business
- number of advisory clients
- providing advice on insurance solutions



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Recent Growth at Point View

<u>Date</u>	<u>AUM</u>
9.30.11	\$102 million
9.30.12	\$135 million
9.30.13	\$164 million
9.30.14	\$202 million

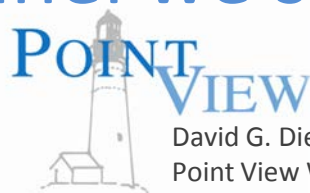


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New Staff at Point View

- Christina Gilmartin joins:
- Financial Planner and Attorney Claire Toth
- Portfolio Managers Donna St. Amant and Elaine Phipps
- Client Service Specialists Annette Tucker and Jeanette Carey
- Do you know of additional investment personnel we should be talking to?



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Christina Gilmartin



- Client Services Specialist at Point View Wealth Management, Inc.
- Over 15 years experience in the financial industry as an Operations Manager and Equity Trader
- Focused and resourceful and excels at prioritizing and following through to achieve project goals
- Understands the value of communication, organization and resolution in order to provide the best possible service to clients
- Prior to joining Point View she worked for KR Capital Advisors, Inc., an institutional investment advisor in New York City, for 15 years
- Resides in Cranford, NJ with her husband and two sons



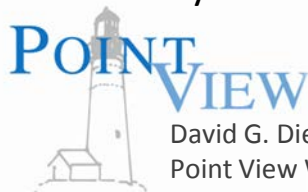
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DAVID G. DIETZE, JD, CFA, CFP™



- President and Chief Investment Strategist of Point View Wealth Management, Inc.
- Founded Point View Wealth Management in 1993
- Has been named one of the country's top wealth managers by Bloomberg Wealth Manager magazine, plus ranked #5 on CNBC's top 100 in the US
- Graduated Phi Beta Kappa, magna cum laude, and with Honors in his major, Economics, from Dartmouth College in 1978
- Pursued graduate studies at Yale University in 1978 -1979
- Earned his law degree from The Law School at The University of Chicago in 1982, member of the Bars of New Jersey, New York, and DC
- Appears regularly on Bloomberg, CNBC, and Fox.
- Interviewed frequently by the financial press, and has been cited in various periodicals including The Wall Street Journal, The New York Times, LA Times, Forbes, U. S. News and World Report
- Board trustee and Chair of the budget committee of the Overlook Hospital Foundation
- Member of and former Chair of the investment committee of the Summit Area YMCA
- Vice President of the Summit Area Public Foundation and Chair of its investment committee.
- Member of the Summit Board of Education and Chair of its Policy Committee
- Resides in Summit, New Jersey with his wife, son and daughter.



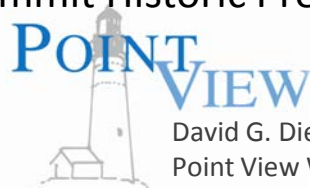
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CLAIRE E. TOTH, JD, MLT, CFP



- Vice President and Chief Operating Officer of Point View Wealth Management
- Advises clients on financial, estate, and retirement planning issues, from the most complex to the most basic
- Has provided strategies for exercising options, collaring restricted stock, managing SERP investments, and negotiating golden parachutes
- Received her A.B. and J.D. degrees from the University of Chicago, where she was elected to Phi Beta Kappa
- M.L.T. from Georgetown University
- Former Branch Chief in the Office of Passthroughs and Special Industries with the IRS Chief Counsel in Washington
- Counsel to the law firm of Herold and Haines, P.A., in Warren, New Jersey where her practice centered on tax and business planning for closely held businesses and their owners
- Active in the ABA Tax Section and the New Jersey State Bar Association
- Has written for a number of publications, including The Tax Lawyer, the Journal of Limited Liability Companies, Taxation for Accountants, and the Journal of Asset Protection
- Member of the Summit Historic Preservation Commission & Executive Women's Golf Association



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Donna M. St.Amant, MBA



- Portfolio Manager at Point View Wealth Management
- Advises clients on portfolio construction, investment implementation, and management
- Over 15 years working in the financial industry with a strong track record of building extensive client relationships
- Has focused much of her career on wealth management, fixed income credit product, and marketing and relationship management
- Prior to joining Point View she held senior positions at Prudential, Bank of America Securities, and Merrill Lynch
- Received her MBA from Columbia Business School and her Bachelor's degree in Business Administration from Villanova University
- Serves as Treasurer of the Summit Junior Fortnightly Club, a local charity organization
- Volunteers for the Summit Educational Foundation, SHIP (Summit Helping Its People) and at her children's schools
- Lives with her husband and three boys in Summit, New Jersey



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Elaine F. Phipps, MBA, CFA



- Portfolio Manager at Point View Wealth Management
- Advises clients on portfolio construction, investment implementation, and management
- Over 17 years of experience working in the financial services industry with a focus on both equity and fixed income products
- Held increasingly senior positions at the First Boston Corporation, Chase Manhattan Bank, Moody's and MetLife
- Received her B.A. in Economics at the College of the Holy Cross and her MBA in Finance with Distinction from New York University's Stern School of Business
- Also holds the Chartered Financial Analyst (CFA) designation
- Trustee on the Summit Area YMCA board where she also sits on the finance committee
- Serves on the executive board of the Summit High School Parent Teacher Organization and is active in a number of local charities
- Lives in Summit with her husband and two teenage children



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ANNETTE B. TUCKER



- Client Services Manager at Point View Wealth Management, Inc.
- Over 17 years experience in providing superior client and managerial services
- Has worked in a variety of industries – Manufacturing, International Freight Forwarding, Material Handling, and for the Starbucks Corporation
- Corporate Assistant Certificate from the Katharine Gibbs School, as well as credits towards a Liberal Arts degree
- Lives in Berkeley Heights with her three teenage children



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Jeanette M. Carey



- Senior Client Services Specialist at Point View Wealth Management, Inc.
- Her experiences include managing processes, streamlining procedures, trading, revenue projections, compliance, performance analytics, and client relationship management
- Additional demonstrated expertise in process re-engineering, client satisfaction, systems administration, database archivist, cash management and strategic planning
- Adept in communicating with clients on relevant issues and building/ nurturing relationships
- Worked for several wealth management organizations including Beacon Trust Company, American Re Asset Management, and Seneca Inc.
- Earned her degree from Montclair State University
- Resides in Succasunna with her husband and daughter.

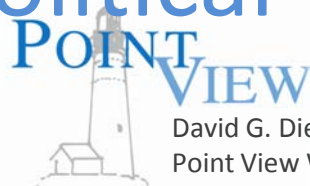


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Equity Market Outlook

- Disturbing Developments
- Valuations
- Corporate Earnings Outlook
- Economy
- Inflation
- Geopolitical



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Disturbing Developments

- Who would have thought coming into 2014: Bonds beat stocks, gas prices approach \$2.50?
- U.S. equities have lost almost \$744 billion in value since Oct. 8 amid concern that slower global growth could hurt America's economic recovery just as the Federal Reserve gauges when to raise interest rates. S&P down 6.8% from high. Dow down 4.3% from its September record. Russell 2000 small-stock index 13% below its record, in March.
- VIX rose 16 percent to its highest since June 2012, up 63 percent in three days.
- A measure of German investor confidence decreased for a 10th month. The German government cut its economic forecast for this year and for 2015
- German bonds fall to all time lows at 0.84% while Treasuries fall to 16 month low of 2.16%
- Fears over Ebola weigh on markets, and particularly on travel companies' shares.



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Valuations

- Stocks are fully valued if not overvalued: S&P trades at 18.6 times its companies' net profits for the past 12 months, down from more than 19 at the peak in September, but still well above the long-term average of 15.5.
- Appropriate for stocks to be more expensive than average due to low rates....but markup of 20% above the historical average?
- Trading at a very high price to sales ratio
- Continued monetary support of Fed and overseas central banks may have changed expectations, making predictions tough.



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Corporate Earnings Outlook

- Estimates are being ratcheted down fast, to perhaps just up 4.5% year over year, with revenues up 4%
- Profit margins at all time highs
- Much of earnings generated by cost cutting and share buy backs, non recurring items
- Strength in US Dollar is making our exports less attractive, plus causing the value of overseas earnings to be marked down
- Watch carefully revenues and profit outlooks



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Economy

- Recession doesn't appear to be on the horizon in the U.S.
- The fundamental backdrop remains positive. Not only are interest rates and inflation low, but economic growth is getting steadier and the Federal Reserve is determined to keep the economy expanding.
- Job growth moving in the right direction, with 227K jobs created monthly this year versus 194K last year.
- However, labor force participation the lowest since the 70s
- The \$11 trillion gorilla of US economy is the consumer, which makes up nearly 70% of our \$17 trillion economy. Consumer benefiting from 13% drop in energy prices, large increases in net worth due to real estate/stock market appreciation
- Unfortunately, severe weakness overseas – IMF now sees a 38% probability in Europe/24% in Japan of recession, up from 21% and 18% six months ago
- Does apparent GOP advantage in midterms factor in?



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Inflation

- Against all odds, inflation falling rapidly
- Bond market saying Fed will not achieve 2% inflation
- Gas prices at the pump the lowest at this time since 2010
- Commodities fell 12% in Q3
- TIPS fell 2.7% in Sept.
- Major fear of central banks in Europe and Japan is falling prices
- As their currencies depreciate against ours they “export” deflation to us



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Geopolitical

- Unfortunately, a number of global hot spots
- Will the Ukrainian situation exacerbate economic weakness in Europe?
- Why hasn't Mid East conflicts not translated into a higher oil price?
- As China sees gains made by Russia and a weaker Western resolve will it try to take advantage?



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Bond Market Outlook

- Yields
- Corporate Bonds
- High Yield Bonds
- Municipal Bonds



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Portfolio Strategy

- Stay the Course
- Think Long Term
- Stay Balanced With High Quality Fixed Income
- Rebalance, at Least Monthly
- Keep Fixed in Tax Sheltered and Equities Non Tax Sheltered
- Prefer Individual Stocks (unbundled portfolio) Versus Funds To Provide Focus, Keep Costs Down, Avoid Duplication, Control Taxes
- Consider Closed End Funds
- Keep Taxes at Bay
- Keep Sectors Balanced
- Stay Diversified
- Employ International, Small Cap, High Yield, Preferred Opportunistically

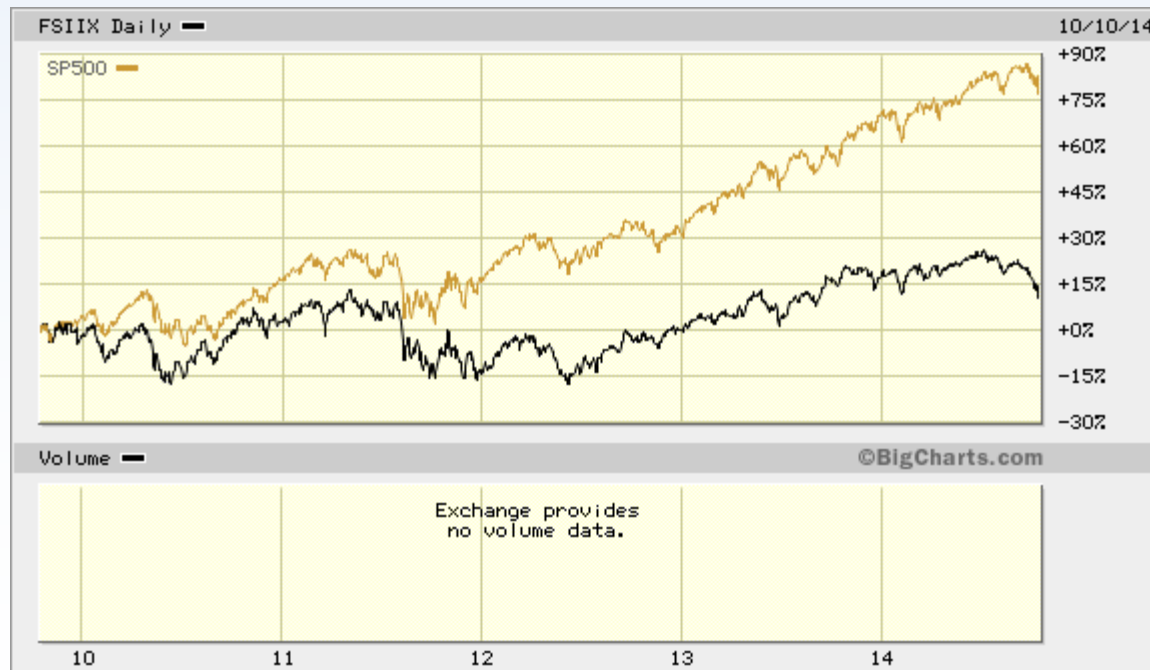


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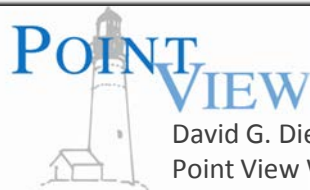
Investment Theme: Overseas Stocks

- International stocks have dramatically underperformed domestic
- Trade at much cheaper valuations
- In many cases, on the cusp of more monetary easing
- Many international companies have significant US and EM exposure



Investment Theme: Financials

- Financials, reflected by Fidelity Fin Svcs Fund below, have lagged
- May benefit from higher interest rates
- Getting past regulatory fines/issues



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Financials Still Cheap

- Loan portfolios improving
- Rainy day funds coming back into earnings
- Valuations low
- Benefit from improving economy
- Benefit from taper
- Poised to return capital to shareholders



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Investment Theme: Energy Stocks



- Energy stocks, reflected by Fidelity Energy Fund shown above, have lagged
- Crude oil now in a bear market, trading down over 20% from its highs
- Continued price weakness will result in output declining
- Energy benefits from an improving economy
- Trade at much cheaper valuations
- Great inflation hedge



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2014 Investment Picks

Performance To Date

<u>Investment</u>	<u>Symbol</u>	<u>Theme</u>	<u>12.13.13</u>	<u>10.11.14</u>	<u>G/L</u>	<u>12.13.13</u> <u>Yield %</u>
Chevron	CVX	Energy/Inflation Hedge	\$119.90	\$113.99	-4.93%	3.34%
American Intern'l	AIG	Recovery of Financials	\$49.73	\$49.96	0.46%	0.80%
Citibank	C	Recovery of Financials	\$50.97	\$50.11	-1.69%	0.08%
		Emerging Markets				
Petrobras	PBR	Rebound	\$13.69	\$15.62	14.10%	1.97%
Deere	DE	Cyclical Recovery	\$87.18	\$80.98	-7.11%	2.34%
Cisco	CSCO	LargeCapTech	\$20.24	\$23.34	15.32%	3.36%
Hewlett Packard	HPQ	LargeCapTech	\$26.77	\$33.50	25.14%	2.17%
		Precious				
ASA	ASA	Metals/Inflation	\$11.60	\$11.66	0.52%	1.55%
First Energy	FE	Utilities Rebound	\$31.71	\$34.85	9.90%	6.94%
Teva	TEVA	Health Care	\$39.82	\$51.81	30.11%	2.73%
Average					8.18%	2.53%
S&P500			1775.32	1906.13	7.37%	1.94%
Dow			15,755.36	16,544.10	5.01%	2.05%



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Chevron (CVX)



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Virtues of Chevron

- Second largest energy company in US
- Sixth best dividend on Dow
- Second cheapest Dow stock
- Two liquefied natural gas projects will drive growth
- Restructured downstream operations and shed assets
- Emphasizing higher-return chemical operations to take advantage of low-cost feedstock
- Experience makes it attractive to foreign governments in future bids for production-sharing opportunities
- John Watson, 33 year company veteran



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American International (AIG)



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Virtues of AIG

- Cheap stock at just 10 times earnings, 70% of book value
- Despite crisis brand name remains strong
- One of largest insurance companies in the world, providing life, general, and mortgage insurance
- Can leverage its proprietary data base to its advantage
- Management has new religion and is back to meat and potatoes insurance underwriting



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Citigroup (C)



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Virtues of Citigroup

- Presence in 170 countries gives it a unique franchise
- Poised to start returning capital to shareholders following regulatory approval
- With more realistic growth aspirations, boosting stock price and creating value for shareholders will be top priority
- Key positioning in fast growing emerging markets a plus
- “Beat the street” in Tuesday’s earnings release
- Tangible book value at \$57+.....meaning stock trading below book value and we believe undervalued



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Petrobras (PBR)



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Virtues of Petrobras

- One of cheapest oil companies in the world
- Has monopoly position in Brazil so tied to this BRIC country and does not have exposure to other high risk areas
- Continued oil discoveries off coast could triple reserves
- Significant experience in deep water drilling
- Ownership of nearly all of Brazil's refining gives it advantages
- Cheap stock at 12 times earnings, 70% of sales
- Key stock for any EM portfolio



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Deere (DE)



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Virtues of Deere

- Great play on a rising global population with increasing caloric requirements
- Since 1837 key agricultural equipment maker with unmatched dealer network
- Strong dealer network creates profits from premium pricing, servicing, and strong resale market
- Financing unit very profitable
- Above average dividend, buying back stock, less than 12 times earnings



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Cisco (CSCO)

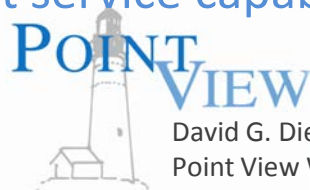


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Spying Both Growth and Value in Large Cap Tech

- Techs are a far cry from the dot com days
- Many shunned by growth investors
- Still not embraced by value investors
- Don't underestimate their "stickiness"
- Consider Cisco and HP
- Cisco simply a cheap stock, at ten times free cash flow, rapidly rising dividend, significant share buyback
- 3.2% dividend makes it an attractive "Dog of the Dow", valuable in a low rate environment, with a high AA credit rating
- Scale/high switching gives it dominance in switches/routers/data networking
- Building out service capabilities



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Hewlett Packard (HPQ)



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HPQ

- Two strong businesses under one roof, printers/PCs, and enterprise (software/services)
- Poised to split apart, to increase shareholder value/increase agility/better incentivize employees/sharpen focus
- HP #1 in printers/PCs
- Services includes legacy EDS, plus HPQ has leading position in x86 servers
- Don't underestimate their "stickiness"
- HP cheap, at five times cash flow, 8 times earnings, 60% of sales
- Meg Whitman proven leader
- Committed to returning at least 50% of free cash flow to shareholders through dividends and share repurchases



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ASA



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Gold

- Gold the metal left in the dust in 2013, down 26%
- Gold mining stocks fared even worse
- Now cheaper to mine on Wall Street
- Gold offers a degree on insurance
- Gold negatively correlated to the stock market
- ASA is an attractive vehicle
- Diversified exposure at a discount of nearly 10%



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First Energy (FE)



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First Energy

- Solid utility exposure with strong fundamentals
- One of the largest investor-owned utilities
- 10 distribution utilities/6 million customers/six Mid-Atlantic states
- Owns/operates one of the nation's largest transmission systems
- Power plant fleet of 13 GW of nuclear, coal, gas, hydro, and wind
- Second-largest retailer of electricity
- Earnings from regulated distribution and transmission operations, operating in stable and constructive regulatory environments, are 90% of earnings
- Cheaper feedstock of coal and nuclear
- Virtually no reliance on 3rd party energy production
- 4.6% dividend/12 times earnings/one times sales



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Teva (TEVA)

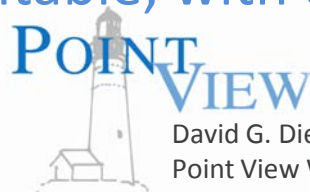


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TEVA

- Not well known, largest generic producer in world
- Generic drugs should move to 35% from 25% of all script sales in next three years
- In US scripts are 87% generic but generics only 27% of sales
- While Israeli based and thus not in domestic indices most of business in North America/Europe, number one in each
- In US controls 20% of market and 1 out of every 6 US scripts, 400 different products
- Also offers branded drugs, including key Copaxone, for MS
- Cheap stock, at 10 PE, 13 times cash flow
- Very profitable, with double digit margins



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Areas to Avoid: Biotech

- Biotech stocks have outperformed dramatically and so we think overvalued



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