



DATE: **January 1, 2015**

TO: **POINT VIEW CLIENTS**

FROM: **David G. Dietze, JD, CFA, CFP™ and President**

I. 2014 in Review

- Investors enjoyed another generally upbeat year, with strong performances from both domestic equities and bonds. The most important theme was the steady improvement in the economy, particularly in the unemployment data; the economy added the most jobs since 1999. Corporate earnings rebounded sharply from polar vortex depressed results in the beginning of the year; overall profits advanced over 7%. Confounding the pundits in '14 was a dramatic drop in interest rates, driven by weak economic activity spurring foreign central bank easing even as our own Federal Reserve ended quantitative easing. The other surprise was a complete collapse in the oil market, with crude plunging nearly 50% from early July.

MARKET DATA	Fourth Quarter	2014
S&P 500 (dividends reinvested)	4.93%	13.69%
NASDAQ (dividends reinvested)	5.70%	14.75%
60/40 S&P 500 / TX-EXEMPT SECURITIES BLEND	3.50%	11.90%
DOW JONES INDUSTRIALS (dividends reinvested)	5.19%	9.93%
INTERNATIONAL STOCKS (MSCI EAFE IX ID)	-3.86%	-7.35%
TAXABLE BONDS (Barclay's 1-3 Yr Gov't/Credit)	0.17%	0.77%
TAX-EXEMPT SECURITIES (Barclay's Muni Index)	1.37%	9.05%
<i>YOUR PORTFOLIO (If under management more than 3 months)</i>	<i>SEE ATTACHED</i>	

- Not all asset classes rose, however. Investors dumped overseas securities, spooked by weak economic conditions outside the US, chasing a surging US Dollar, and fleeing extremely low interest rates overseas. Foreign stocks dropped nearly 4%, one of the biggest differentials between Stateside and overseas performance on record. The US Dollar surged 13% against a basket of currencies, further spurring returns of foreigners in our market, and depressing profits of Americans investing abroad. Anticipation of further

quantitative easing in Europe drove interest rates to record lows in Germany, below ½ of 1%, while the ten year sovereign bonds in Spain and Italy yielded less than our ten year Treasuries!

- Among sectors utilities chalked up the greatest returns, 28% in 2014, as bond investors fled bonds and looked for steady eddy bond surrogates in the equity world. **Entergy (ETR)** and **Exelon (EXC)**, two utilities with substantial nuclear facilities, surged 43% and 40%, respectively. Health care was the second best sector (+25%), as the Affordable Care Act increased demand for medical services with less price controls than feared. **Teva (TEVA)**, the world’s biggest generic drug company, soared 46%.
- The worst performer, by far, was energy, declining 9% amid a supply glut. Investments in the two largest domestic integrated energy companies, **Exxon (XOM)** and **Chevron (CVX)**, outperformed on a relative basis, easing just 6 to 7%. Lower debt levels and more diversified operations helped them avoid the brunt of the selloff, reserved for highly leveraged producers in higher extraction cost regions.
- As to fixed income, the more hated the asset class coming into 2014, the better the performance! Contrarian minded investors snapped up long dated Treasury bonds; an exchange trade fund targeting such bonds dated 20 years out or more left nearly all securities in the dust, surging 27%. Meanwhile, higher yielding bonds disappointed, rising a mere 3% and underperforming higher quality bond indices like the Barclays Aggregate, up 6%; energy companies constituted a sizeable number of junk bond issuers, and their credit quality deteriorated as the price of their product, fossil fuels, slid.

PREVAILING YIELDS AS OF:

FIXED INCOME ASSET	12/31/13	03/31/14	06/30/14	09/30/14	12/31/14
US Government 10 Yr. Note	3.03%	2.73%	2.53%	2.51%	2.17%
5-Year Certificate of Deposit	0.78%	0.79%	0.78%	0.82%	0.85%
Money Market	0.01%	0.00%	0.01%	0.01%	0.00%

II. Looking Forward

- Positives are the rebounding economy and still growing corporate profits amid generally low interest rates. The low rates continue to prompt investors to ask what else is there besides stocks. Headwinds are the weak economic conditions outside our country; that will hinder our exports. Further, low interest rates overseas will continue to depress their currencies relative to the US Dollar, further pressuring the value of US multinationals’ revenues generated abroad.
- Longer term we remain bullish even though at some point a full-fledged correction or more is inevitable. Key to the path of domestic stock markets will be the plans of our Federal Reserve to hike interest rates. While all policy makers seek a more normal (i.e., higher) interest rate environment, the absence of inflation coupled with challenging overseas conditions may make those higher rates arrive later rather than sooner.

III. Your Investment Performance and Investment Advisory Invoice are Enclosed

The enclosed shows the recent performance of all of your Fidelity accounts (if under management for more than 3 months) and your investment advisory invoice. Fidelity's 1099 will include all realized gains and losses, along with potentially deductible investment advisory fees, foreign taxes, and ADR fees, along with the information about sales. Therefore, we are no longer providing those reports separately. Please contact Claire Toth if you or your accountant have any questions about this.