

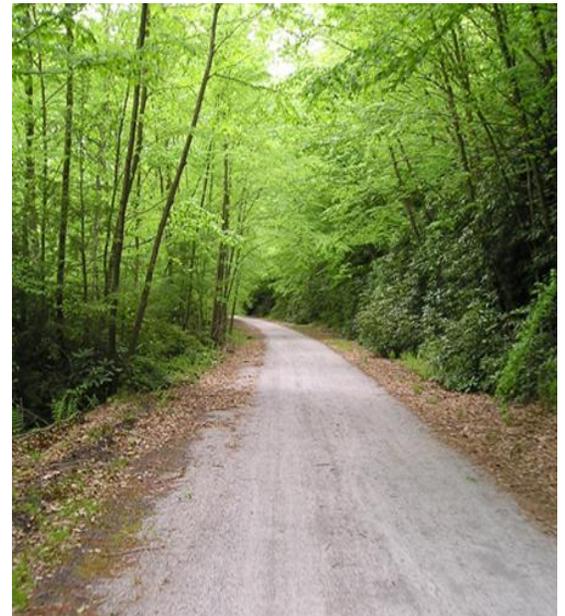


# TAMMA

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## CAPITAL

Personalized Investing for Your Future



## A Quarter Full of Headlines Q4 2012

There were no shortages of headlines to wrap up the last quarter of 2012. We all must begin to look beyond the short-term window of what is happening in the next 1, 3, or 6 months. There must be a focus on what our long-term future looks like 10, 15, or 20 years from now. We posted Jeremy Granthom's Q3 Newsletter in which he discusses critical issues and the fact that we are quickly running out of time to do something about them. It is a long read but well worth it so I urge each of you to take a look.

At the end of December we had a major announcement that I hope everyone saw as they opened this quarter's newsletter which was our firm's new name and tagline: **TAMMA CAPITAL – Personalized Investing for Your Future**. The new name represents family, strength, and our unwavering commitment to helping people achieve their financial and lifestyle goals.

Please note that my email address has changed to [pfenner@tammacapital.com](mailto:pfenner@tammacapital.com) and our new website address is now [www.tammacapital.com](http://www.tammacapital.com). We will be redesigning the site this quarter but while under construction, you will still be able to access our daily financial and lifestyle posts. I would especially like to thank Camille Jayne of the Jayne Group for her continued support and influence in seeing this project through to completion.

TAMMA will be sponsoring two events this quarter at The Community House in Birmingham, MI.

- Wednesday, February 6 from 6:30-8:00pm, TAMMA Capital will be sponsoring the second business book club review featuring “The Power of Habit: Why We Do What We Do in Life and Business” by Charles Duhigg.
- Tuesday, March 19, from 6:30-8:00pm, TAMMA Capital will be one of four featured speakers in the TCH Professional Development series. Our topic will be “Understanding the Financial Building Blocks of Your Business & Integrating Them Within Your Wealth Management Plan”

We hope to see you at both events which you can register for by visiting the new TCH website [here](#)

# TAMMA Wealth Management Process

This quarter, we are beginning a new series that outlines our “five pillars of the TAMMA wealth management process” which includes the following;

1. **Emergency Fund**
2. Retirement
3. Education
4. Investment
5. Philanthropy

With each step in the wealth management planning process, we will explore the details as to what a client should be considering when it comes to their own unique and personalized plan. By integrating our “SMART Principles” into the planning process, TAMMA can personally assist people in developing their own financial and lifestyle goals.

When it comes to emergency fund planning, most people believe that it simply involves having some cash in a spare savings account. While having some sort of liquid assets is a vital part of having a balanced emergency fund plan, there are other elements that must be considered as well such as the following;

- Liquid assets to cover 6 months (or more) of living expenses
  - Think about what you need to cover such as housing, insurance, medical, auto, education, etc.
- Have adequate insurance coverage, insurance comes in many forms such as
  - Medical, minimum catastrophic coverage
  - Disability, think AFLAC long-term and short-term
  - Life, term insurance which is temporary and allows you to buy more coverage vs. permanent insurance which is forever but costs more
  - Long-term care, asset preservation
- Estate Planning, manage and protect your assets after you have passed on or become incapacitated
  - Trusts & Wills, find the right one to suit your needs and situation
  - Durable Power of Attorney, someone to make life decisions on your behalf
  - Legal guardian for children
  - Maximizing gifts while minimizing any tax liability
  - Selection of beneficiaries including any charities

Don't wait for something to happen to you or your loved ones before deciding to put a plan together. Have the courage to take that first step and help protect those that you care about the most. For more information on this topic please contact us directly.

## Economic & Market Viewpoint

In our previous newsletter, we had noted the “growing disconnect between the equity markets and the economy.” The gains of the equity markets seemed to be outpacing the overall economy. In Q4 the two began coming into equilibrium, with the equity markets coming down in price vs. the slow growth atmosphere we continue to see in both the World and US economies.

While the uncertainty surrounding the fiscal cliff was no doubt a driver of the poor quarterly performance, the retail holiday season did not turn out to be as festive as what Wall Street analysts were expecting. Retail sales showed little to no growth and marked the weakest performance since the Great Recession time period. Consumers continued to pull back on spending while working to repair their own balance sheets, something that the Federal government should take note of.

The huge rally on the last trading day of 2012 and the first trading day of 2013 was unexpected by the industry. We surmise that markets just wanted some sort of clarity (albeit small) in order to run higher. The markets were on a weeklong losing streak leading up to the last trading day of 2012 after talks broke down in Washington the week prior.

The Fiscal Cliff is far from over. The last minute deal just pushed the mandatory budget cuts out a few more months. In addition, you now have the new issue of raising the debt ceiling again which if you recall led to lower markets the last time this event happened. Uncertainty usually creates increased volatility which can push prices up or down.

We anticipated some sort of snap back rally or rallies throughout Q1, we just didn't know it would come so soon and be so powerful. But with that said, we believe that Q1 growth is going to be bad. Our reasoning is grounded in the fact that everyone is taking a hit with higher payroll taxes which we see as a drag on consumer spending. Unless consumers get some relief at the pump or decide to throw their own fiscal plan out the door, discretionary spending is going to be low.

There are some positives going on in the economy right now so things are not all gloom and doom. Housing continues to be a bright spot in most areas of the country and auto sales are projected to surpass annual production numbers pre the Great Recession. Once again if you look at the section of the population who have a job things are going okay to good. But those without work, who have likely been unemployed or underemployed for months if not years, are still taking it on the chin.

# TAMMA Capital Performance

We posted a return of 21.7% for full year 2012 here at TAMMA Capital with the portfolio that we manage at Investopedia. This return beat all four major equity benchmarks that we track against which include the Dow Jones Industrial Average, S&P 500, NASDAQ, and Russell 2000. You can see from the performance chart below that we beat the DJIA by almost 3 times and the other benchmarks by almost 1.5 times.

You will also see in the chart our under performance in Q4 vs. the benchmark indices. This was largely due to the poor performance of our largest holding Apple AAPL. After hitting its all time high of slightly over \$700 per share back in the fall, the stock has been in somewhat of a free fall down almost 22% over the past 4 months.

We still believe that in the long run, Apple is a stock worth owning. It has great fundamentals although the technical indicators are a bit troublesome at this point. We will monitor Apple closely as any break below the \$500 level would be quite alarming which could result in further declines.

We have had very consistent performers across the board throughout the year. Even though Apple is down now, we harvested big gains earlier this year. The same also applies to Google which we no longer have a position in but reaped big profits on our option position during Q1 and Q2.

Our agriculture strategy also did very well this year with names such as Mosaic, Monsanto, and irrigation supplier Lindsay. Some individual names that had stellar years were Ford help by increased North American sales and coffee chain Caribou Coffee which was taken private in Q4.

We were disappointed in our net short position in a group of home builder stocks. Housing has actually been a strength in the recovering economy even though we still believe that the home builders are priced for perfection. We will likely be leaving this position on at least through the first few months of the year to see how things materialize with the fiscal cliff fallout.

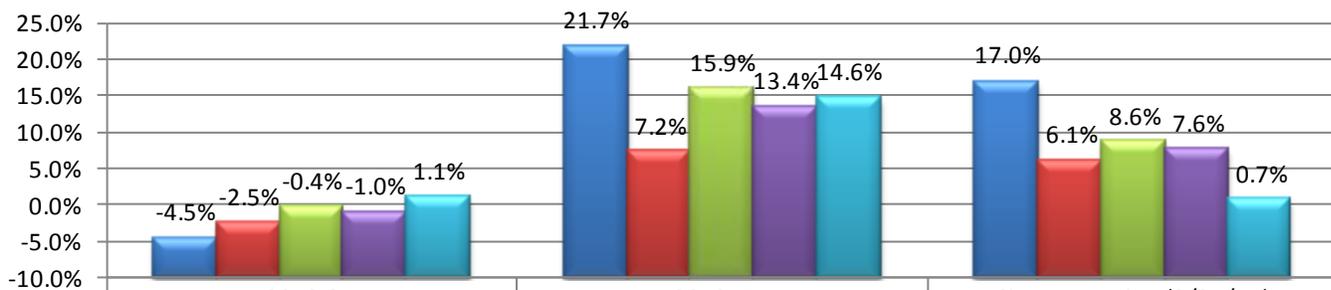
So what do we like going forward? Good companies will continue to drive to improve operations no matter how soft demand may be. Although we have seen productivity improvements begin to level off, companies will continue to invest if it helps their bottom line. That means we are looking for well run companies with a consistent history that can adapt, change, and grow. We utilize metrics such as ROIC (return on invested capital), free cash flow, and revenue growth to screen for these types of companies. Notice that we did not say income? Income can be manipulated by accounting tricks, so we look at metrics which are really hard to adjust.

Even in a weak economy or slow growth economy, there are always diamonds in the rough. They are just harder to find.

## Top 5 Holdings

1. Apple
2. Mosaic
3. Gold (GLD)
4. CME Group
5. Public Storage

### DWCM vs Benchmarks



	2012 Q4	2012 YTD	Since Inception (3/31/11)
DWCM	-4.5%	21.7%	17.0%
DJIA	-2.5%	7.2%	6.1%
NASDAQ	-0.4%	15.9%	8.6%
S&P 500	-1.0%	13.4%	7.6%
Russell 2000	1.1%	14.6%	0.7%

■ DWCM ■ DJIA ■ NASDAQ ■ S&P 500 ■ Russell 2000



Paul Fenner is President and founder of TAMMA Capital LLC. TAMMA Capital is a Registered Investment Advisor (RIA) servicing individuals and small/medium-sized businesses. TAMMA invites you to experience our personalized investment services that will help you meet your financial and lifestyle goals.

**Contact Information**

Email: [pfenner@tammacapital.com](mailto:pfenner@tammacapital.com)

Phone: (248) 860-2279

Web: [www.tammacapital.com](http://www.tammacapital.com)