

US Markets Keep Upward and Onward Pace

So where do we exactly stand with US equity markets these days? According to BTN research;

- The S&P 500 has set 22 all-time closing highs this year
- The Dow Jones Industrial Average closed above 17,000 for the first time ever as of July 3rd
- As of June 29th the S&P 500 has gone 1,000 calendar days without a 10% or greater correction which is the 5th longest streak of that kind in the past 50 years
- The current bull market for the S&P 500 is 5.3 years in duration as of today. The longest running bull for the stock index since 1950 lasted 9.5 years. During the 9.5 year bull market, the S&P 500 gained +111% through 5.3 years, then gained another +145% after 5.3 years.

Based on these data points, it remains somewhat sensible to stay fully committed to the equity markets. While the US equity markets have been on an impressive run since hitting their generational lows back in March 2009, there is a counter argument that can be made that this bull market run is nearing its end.

One of the market valuation indicators that we follow is the Schiller P/E ratio which differs from a traditional P/E ratio as it eliminates fluctuations caused by the variation of profit margins during business cycles. As you can clearly see below we are above the long-term mean. And with the equity markets being a mean reverting vehicle, this would lead you to believe that the ratio would begin to contract lower towards its historical mean which would then result in lower equity prices.

But with any indicator or metric, the key is to realize that there is no one perfect metric to follow. This is why at TAMMA we review a series of metrics and do not rely on any one specific indicator or metric to help us determine our dynamic asset allocation strategy

which we review every quarter. Last month if you recall we introduced you to how we use interest rates and changes in earnings estimates as indicators that help guide our allocation strategy decisions. This month we wanted to introduce you to the Schiller P/E ratio.



Our goal in sharing with you the indicators and metrics that shape our allocation strategy is to help deepen your understanding of our processes at TAMMA. We believe that by educating people on how TAMMA thinks differently about managing assets, people can become empowered to take control of their financial futures.

State of the Portfolio

Last quarter we provided you with some specifics on the key principles that TAMMA uses to build the core foundation of our individual stock selection strategy. Recall that we look for companies that;

- Use debt sparingly
- Generate relatively strong cash flow
- Positive trend in change in earnings estimates

While these principles may appear basic in nature, it is the discipline that TAMMA maintains to focus and follow these guidelines that makes us unique in our investment management approach.

Each quarter we highlight a few individual companies that we have recently invested in or dissolved our position from in both the large cap and small cap universe of companies. Recall that a small to mid-size cap company typically has a market valuation (or cap) of less than \$10 billion while a large cap company is greater than \$10 billion.

Large Cap - focus is on companies that are less sensitive to interest rates, carry below average debt, and provide for growing dividend payouts

- John Deere, Deere is a new add for the TAMMA portfolio as of this quarter. Deere is a long-term play on the advancement of agricultural products that support a growing global population. While Deere does carry a higher debt/equity level than average in a capital intense industry, it does sustain a wide-moat which makes it harder for new competition to enter the markets Deere is currently in. Deere also boasts a double digit growth rate in its dividend over the past 5 year period.
- Union Pacific, UP is a new add for the TAMMA portfolio as of this quarter. What is not to like about a company that operates in a virtual duopoly with few other competitors in the railroad industry? With Union Pacific it is about getting in at a good price point and riding out the long-term growth rate in the movement of materials across the country on rails vs. trucks. For the same reasons we like FedEx, Union Pacific has an impact on the swift change in consumer purchases from brick and mortar stores to online.

Small Cap – focus is on companies that grow based upon product or service differentiation, up and coming technologies that could replace current established products, services, and/or processes

Insider Trading

\$109... Average daily spending for U.S. adults with children under age 18 (Gallup)

\$79... Average daily spending for U.S. adults with no children under age 18 (Gallup)

51 million... Number of iPhones sold in Q4 by Apple, highest amount recorded

\$58.5 billion... expected spending on pets by Americans in 2014, up from \$35 billion in 2004 (American Pet Products Association)

- PetMed Express, PETS is company that we have owned for over the past several years. If you picked up on the new “insider trading” segment above, we like the growing \$58.5 billion pet care market in the US. PETS could be takeover target give its relatively low market value and healthy balance sheet. A unique feature about PETS compared to most small caps is that it pays a current dividend yield of ~ 5.0%.
- 3D Systems, DDD is company that we have owned over the past 12 months. This is a company whose stock price has been driven by many momentum traders within the equity markets. It is one of the companies who have had early success within the 3D printing space. While the technology is still in its infancy, 3D systems could make a nice bolt on addition to a large conglomerate such as GE or HP.

Personalized Investing; Setting up the Retirement that You Envision

Can you envision what your retirement years may look like? Do you see yourself traveling the world, living in your ideal location, spending time with your loved ones, or setting out on a new second career? Before you can start putting together a retirement plan, you need to know what you want your retirement to be.

Think of retirement from a crawl, walk, and run perspective. At TAMMA even before we begin discussing numbers and asset management strategies, we help clients clarify what their retirement vision looks like. Without having a vision, you cannot develop the necessary plan to help guide you to where it is that you ultimately want to go.

Here are a few steps that can help take you from crawling to running in your retirement journey. Be mindful to take your time and thoroughly think through what you see your retirement as being. This is one time where it is good to think selfishly!

1. Start with a clean sheet of paper and begin to write down the ideas that come to mind about what your ideal retirement would be. Think big; remember the only limit right now is you.
2. Take your ideas and break them down into more specific details. For example, you may want to retire to a warmer climate but are you planning to live there year round, do you plan on maintaining two residencies, and where exactly is that future destination to be? Case in point, a more specific idea may be that you plan to live in the Outer Banks in North Carolina with an ocean view home during the winter and spring months while residing in a smaller condo in Michigan during the summer and fall months due to family commitments.

Social Currency

We would like to express our sincere gratitude and acknowledge the following individuals who have recommended TAMMA to our newest clients. Your continued trust and confidence in TAMMA is greatly appreciated.

- **Danielle & Aaron Sparks**
- **Kim & Dan Bailey**

We would also like to extend a warm welcome to our newest professional partners

- **Judy Layne**, attorney
Dickenson Wright
- **Maggie Currier**, banker
Bank of Birmingham

3. Once you have your specific ideas down, decide what retirement objectives are most important to you and prioritize accordingly.

We hope that you can see that there is a lot of work to be done even before you begin to consider financial figures and asset management strategies when it comes to retirement planning. Although TAMMA can help facilitate the initial steps outlined above, it really begins with you. Our goal is to help you reach those goals through planning and management of your investable assets.



The fourth step is where working with TAMMA could help bring some of your ideas into reality. We would begin the process of analyzing and identifying what it might take to accomplish your retirement goals that would likely include;

- Determining the costs involved
- The amount of time it would take
- How much you would need to save
- The probability of success

And as you go through your working years and there is a need to be flexible with your retirement goals, there is no need to worry. We can pivot your retirement plan to accommodate whatever life may throw your way. Once your financial data is clearly outlined we can put together a framework and roadmap that works best for you and your situation, thus helping to make your retirement goals a reality.



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