



## AS THE WORLD TURNS

Happy New Year! Welcome to the first edition of **VZD Capital Management's** newsletter in 2016. We just ended one of the most challenging, unbelievably high flying and incredibly low dropping, trendless and laced-with-uncertainty years seen in decades. The stock market took us on a “long and winding road” journey that dropped us off more or less where we started. Is it time to exhale or we are in for another episode of “As the World Turns.” The S&P 500 ended 2015 with a negative 0.7% return. It was essentially a flat, lackluster performance that left us disappointed and frustrated. This was the weakest performance since 2008. Past performance may be no guarantee of future results but the volatility, extreme turbulence, and an increased level of uncertainty has greeted 2016 with open arms.

In a year where the stock market experienced record highs and deep lows, there were a few companies worth writing home about including, but not limited to: **Facebook (FB), Amazon (AMZN), Netflix (NFLX) and Google (GOOGL or GOOG, the company is now called Alphabet)**. Such highlights of growth-oriented companies is **NOT** an endorsement to buy, sell, hold or do nothing with these stocks. This small sampling of companies reinforces the theory that the overall market doesn't necessarily move in tandem with undervalued companies growing faster than the market and their peers.

January greeted us by slicing prices and pushing many Wall Street darlings out of the bath water. The S&P 500 ended below 1,900 for the first time since September 2015 fueling emotional & irrational panic selling. Many economic factors have weighed on the market including falling crude oil prices, flat earnings growth, anticipation surrounding interest rates hikes and worries centered around China's flailing economy. We have witnessed China's stock market crash 7% percent in one day and have seen crude oil plummet to its lowest level in 12 years.

The media have slanted the news and persuaded us to believe that another recession is just around the corner. However, seasoned advisors like me understand this is part of the risk and reward aspect of investment. The first thirteen days of January wiped out over \$1 trillion in market value. Even so, a stronger pair of reading glasses may reveal evaluations of quality, healthy companies with good fundamentals that are trading significantly lower than their intrinsic value because of the market environment. The investment environment is ripe to purchase extraordinary companies at a fair price and allow them to add value to your growth and/or income considerations.

Many investors have contemplated cashing out of the market and attempting to get back in after the next big sell off occurs. But when is the next major sell off? Who sends the memo to let everyone know when to get back in? One of the biggest mistakes long-term investors make is getting out of the stock market at the wrong time. The idea is to “buy low, sell high” but the mom and pop investors have a tendency to panic during market declines and sell when stock prices are down. Let’s face it, nobody likes to lose money, but it’s only a paper loss until you sell it. Institutional investors like VZD look at market downturns as buying opportunities whereas retail investors often sell during these times. VZD believes in staying the course, rebalancing based on investment guidelines and policies, locking in profits, harvesting losses and keeping adequate cash on hand.

In summary, please turn off the news. Listening to the “doom and gloom” naysayers can heighten your anxiety and increase your fears. VZD stands available to answer your questions and address your concerns as they come. Please, do **NOT** look at your portfolio all the time. Instead, turn off the TV and focus on what you can control. Like Warren Buffett observed, it is profitable to be greedy when others are fearful.

Thank you for another great year, and I believe the best is yet to come. Please find the complete article acknowledging Ethel J. Davis as having been recognized as a 2016 Five-Star Wealth Manager.

With Gratitude,

Ethel J. Davis & Associates  
CEO | Portfolio Manager