

the Guide



INSIDE THIS ISSUE :

IS SANTA CLAUS BRINGING YOU A RALLY OR A LUMP OF COAL?

Will the last week of 2014 bring us a “Santa Claus Rally” or an ugly lump of coal?

MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What’s on the horizon?

EDUCATION CORNER

Over half of Americans own mutual funds but learn why if they read this column NONE of them would!

NEWS & NOTES CALENDAR

Mark your calendars and see what My Portfolio Guide is up to going into the New Year!



A “lump of coal” to wrap up 2014 ?!

There are many explanations for the typical rise in stock prices that occurs the week between Christmas and New Year’s Day. Aside from a generally positive and festive mood, some people think it has to do with year-end tax planning, the investing of Christmas bonuses, or simple optimism for the New Year.

The phenomenon known as the “Santa Claus Rally” has come to fruition many times before but what if this year Santa gives us an unexpected gift...a proverbial “lump of coal”?

Speaking of coal...or rather oil... this is the major reason we believe it’s time to enjoy the holidays and take a slightly more defensive posture when it comes to your investments. The price of crude oil has dropped like a rock, slamming energy stocks and rattling the broad market. It’s not the fact that oil has slid but rather how quickly this occurred. Many experts are beginning to say that we’re near a bottom with oil prices.

Our take: Don’t listen to a single one of them...unless of course one of these geniuses predicted oil dropping from over \$100 a barrel to under \$55. Ergo...none of them!

We’re not in the business of predicting markets, as that’s a game for entertainers and palm readers. We can tell you this, however, the chances of the domestic markets running higher without some sort of pause is simply a high-risk bet. Sure, anything can happen but there are both technical and fundamental reasons why the market needs to pause.

We believe that January has the potential to be very volatile. Expect some panic selling and a pullback that could test the October lows. If it doesn’t materialize an allocation with smart hedges in place will still do just fine. While so many weak hands have been shaken out from owning managed futures, our core position in this area is up +20.21% over the past six months.

Lastly, there will be a silver lining to oil coming down so hard. Get your shopping list ready for some great buys... but be patient! We still have a ways to go and anyone anxious to buy oil companies can wait a month or two, right?



	Trailing 3 Months	YTD (as of 12/19/14)	2013	2012	2011	2010	2009	2008
20 / 80	2.30%	7.58%	4.86%	6.57%	6.70%	8.25%	10.04%	-3.21%
40 / 60	2.60%	9.44%	11.74%	8.93%	5.55%	9.95%	14.14%	-11.65%
50 / 50	2.75%	10.38%	15.18%	10.11%	4.98%	10.80%	16.20%	-15.88%
60 / 40	2.89%	11.31%	18.62%	11.29%	4.40%	11.65%	18.25%	-20.10%
70 / 30	3.04%	12.24%	22.06%	12.47%	3.83%	12.51%	20.30%	-24.33%
80 / 20	3.18%	13.18%	25.51%	13.65%	3.26%	13.36%	22.36%	-28.55%
S&P 500	3.00%	13.34%	32.39%	16.00%	2.11%	15.06%	26.46%	-37.00%
Mid Cap	4.12%	15.39%	33.50%	17.88%	-1.73%	26.64%	37.38%	-36.23%
Small Cap	2.41%	8.14%	41.31%	16.33%	1.02%	26.31%	25.57%	-31.07%
MSCI EAFE	-6.92%	-4.08%	23.29%	17.90%	-11.73%	8.21%	32.46%	-43.06%
Emerging	-9.77%	1.02%	-2.27%	18.63%	-18.17%	19.20%	79.02%	-53.18%
Bonds	1.40%	3.23%	-2.02%	4.21%	7.84%	6.54%	5.93%	5.24%

MARKET RECAP

How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

20 / 80, for example, represents 20% in the S&P 500 and 80% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

The second half of 2014 has exposed investors to something they have not experienced often during the 5-year bull market run - **volatility**. We expect to see more turbulence in the markets as we enter 2015 due to multiple factors both domestically and internationally.

Oil has fallen from trading well over \$100 in June to under \$55 the first half of December, this 'double edged' sword provides both positive and negative results. 5% to 10% of the average consumer's disposable income is spent on energy, so with this recent decline consumers are finding more money in their pockets. Energy stocks have been crushed, and if the price of oil stays low for a long duration there could be a flurry of companies collapsing due to being highly leveraged. Conversely, we're licking our chops in anticipation of picking up some fantastic deals on certain energy stocks.

The U.S. economy as a whole continues to recover and remains in a bullish trend. Some analysts may argue that the market is overvalued but when taking into consideration a rising dollar and lower oil prices, consumers should continue to have an optimistic outlook. We expect 2015 to deliver high single digit returns. There will be pockets of strength and weakness but the sectors we favor are Financials, Industrials, and Technology.

The Federal Reserve is expected to begin raising short-term interest rates in 2015 after ending quantitative easing earlier this year. We expect this to take place the second half of the year and if it is done gradually we don't anticipate it having a profound impact on the bond or broad markets. With low inflation and demand for the safety of our assets, long-term rates will remain level as other options will be limited due to geopolitical concerns and rates lower than ours in Europe and Japan.

EDUCATION CORNER

Active vs Passive Investing

“If every investor truly knew and understood the simple facts they would never buy an actively managed mutual fund again! Most investors are oversold and undereducated on the truth.”

-My Portfolio Guide, LLC

“ I just don’t like mutual funds. I think they’re a rip-off”.

-Robert Kiyosaki, author of *Rich Dad Poor Dad*



Basic Definitions

Let’s first define what “passive management” is. (also known as passive strategy, passive investing, or index investing) Investopedia defines it as:

“A style of management associated with mutual and exchange-traded funds (ETF) where a fund's portfolio mirrors a market index. Passive management is the opposite of active management in which a fund's manager(s) attempt to beat the market with various investing strategies and buying/selling decisions of a portfolio's securities.”

Massive mutual fund growth is about to reverse!

Mutual funds were first introduced into the United States in the 1890s and became more popular by the 1920s. By 1980 about 6% of Americans owned mutual fund shares. Over the past few decades mutual fund ownership

has exploded and about 47% of Americans own at least one mutual fund.

We actually believe that we’re near a “tipping point” where more intelligent investment instruments/options will take over and replace the perception that mutual funds are the best way to build an intelligently designed and diversified portfolio.

“The tipping point is that magic moment when an idea, trend, or social behavior crosses a threshold, tips, and spreads like wildfire.”

-Malcolm Gladwell, author of *The Tipping Point: How Little Things Can Make a Big Difference*

A growing concern with actively managed mutual funds is what’s called “survivorship bias”. Many mutual funds with losing returns end up closing or being merged with others in order to hide poor performance results. Over the past five years 25% of domestic equity funds, 24% of international equity funds, and 17% of bond funds have been merged or liquidated!



Active vs Passive: What debate?!?

For years there has been a tug of war for investor dollars between actively managed funds and their passively managed counterparts. As we alluded to earlier, actively managed mutual funds (and the financial advisors who pitch them) will tell you that indexing will never beat the market. Would you go to Las Vegas if you knew the odds of beating the games/tables were less than 20%? You might go for fun and do so with a set amount of “play money” but hopefully not with your investments or retirement funds!

According to the S&P Dow Jones Indices Versus Active (SPIVA) 2014 report, about 60% of Large-Cap, 58% of Mid-Cap, and 73% of Small-Cap managers **underperformed** their benchmarks this year. The numbers get even worse over time! **Over five years 87% of Large-Cap, 88% of Mid-Cap, and 88% of Small-Cap managers underperformed their respective unmanaged indexes!** Going back to our Vegas analogy, your odds are actually far better there so you may as well at least enjoy the free cocktail or buffet dinner.

Why again is there even a debate over this? These are clear and simple facts. Read the above numbers again and share it with anybody you care about so they can learn it as well!

Storytelling 101: Fact or Fiction?

40,000 years ago humans painted pictures in caves to tell their stories. As we’ve evolved we

still enjoy stories; it’s basically what helps us communicate and it also stimulates the brain. Why is this so?

If we were to present you with a narrative and show you several factual bullet points, your brain would process its meaning. If however, the same message was presented in a story format leveraging emotional connections, different parts of your sensory cortex would light up and get far more connected.

Peter Lynch, the legendary mutual fund manager, started out as an intern at Fidelity and later managed the Magellan Fund from 1977 to 1990. He made a huge name for himself and during that stretch averaged a 26.4% return! This was the **best 20-year stretch of any mutual fund in history** and just about doubled that of the market. Impressive, right??

What’s the part of this story you’ll likely *never* hear about? Most investors were *not* allowed to buy the fund when it performed well. By the time it opened to the public in 1981 billions of dollars then poured in. After the adjustments of these huge cash flows and some poor investor timing, the average return for a Fidelity Magellan shareholder ended up being 13.4% from 1981 to 1990. The S&P 500 returned 16.2% over that stretch...

Lastly, this fantastic mutual fund story still gets plenty of love (but not the returns). If you bought this legendary fund 10 years ago you would be down about -11% versus the S&P being up over +71%. **-The End**

- FAR BETTER PERFORMANCE
- MORE FLEXIBILITY
- HIGHER TAX EFFICIENCIES
- INCREASED DIVERSIFICATION
- MUCH LOWER FEES

What else do you need to prove a point?

Characteristic	ETFs	Individual Stocks	Mutual Funds
Diversification Benefits	✓	✗	✓
Management Fees	As low as 0.07%	✗	Average of 1.4%
12b-1 Fees	Max 0.07%	✗	Max 1.0%
Intraday Pricing	✓	✓	✗
Transparency	✓	✓	✗
Margin Buying	✓	✓	✗
Short Selling	✓	✓	✗
Control over Capital Gains	✓	✓	✗

WHAT DO THE TOP MONEY MANAGERS IN THE WORLD USE TO MANAGE THEIR OWN PORTFOLIOS?

THEY DON'T EVEN BUY THE FUNDS THEY MANAGE (SELL) BUT RATHER...

THEY USE INDEX (ETF) FUNDS!



INDEX FUND PROs +

- Simplicity - makes asset allocation / diversification easy*
- Eliminates human error / management worry*
- Low turnover - little buying & selling equates to less taxes & fees*
- Low expenses - don't have to pay managers*
- Asset bloat not a concern*
- Performance - index funds have outperformed the majority of managed funds*

MANAGED FUND PROs +

- Top rated managers have consistently delivered excellent results*
- Argument that managers can find undiscovered "gems" in the market*



The top two reasons to use an actively managed mutual fund have actually been proven false! This makes a list of “pros versus cons” even more clear. Unless you believe in unicorns or flying pigs, you simply should never own a mutual fund. There are very few exceptions. Lastly, “passive investing” doesn’t mean doing nothing..It means you’re educated and have a sophisticated investment strategy based on facts.

News & Notes:



Team MPG:

Our team of athletes competed in the Arizona Ironman on November 16th in Tempe, AZ. They raced 140.6 miles (2.4 mile swim, 112 mile bike ride and 26.2 mile run) but also made a huge difference in many peoples lives by raising funds and awareness for several amazing charities. We are proud to announce that we raised over \$25,000! This is just the start for Team MPG – expect to hear news in the future as we tackle new challenges and continue to make a difference in peoples lives! #TeamMPG



were launched to recognize and reward excellence, best practice and innovation in all aspects of the finance industry. Winning this award is a stamp of professional excellence and a badge of merit, integrity and leadership.

Growth and Expansion:

We are excited to announce that our firm has grown over the course of the last few years, in 2015 we will be opening a new office to help serve our clients. Our focus remains on our clients and providing the highest level of service possible. Expect to see exciting news regarding this in the first quarter of 2015!



Awards and Recognition:

5 Star Wealth Manager – multi-year winner

Both of our offices (Orange County, CA and Denver, CO) have been recognized as ‘5 Star Wealth Manager’ in our respective markets for the third consecutive year. This places us in the top 7% all wealth managers in the industry!

Dear Mr. Market:

Have you subscribed to our online weekly newsletter? Dear Mr. Market is nearing 100 articles and offers insight and commentary on many of today’s headlines and events. [Click here](#) if you’re reading this online, otherwise to sign up simply visit the website (www.dearmrmarket.com) and enter your email address on the right hand side.



Wealth & Finance International recognized our firm as ‘Best for High Net Individual Portfolio Management – USA’. The 2014 Finance Awards





CALENDAR:

January 2015

1/28/15 to 1/31/15 :

2015 TD Ameritrade National Conference

Manchester Grand - San Diego, CA

February 2015

2/27/15 :

**Finalizing your Estate Plan!
Ayres Hotel in Seal Beach, CA**

March 2015

3/3/15 to 3/5/15 :

**Client Meet & Greet Dinner Event
Earl's Kitchen + Bar - Denver, CO**



For 2015 Spring tickets to either Arizona or Florida baseball games please email info@myportfolioguide.com

It's truly hard to believe another year has passed! Take a peek at our calendar to see some highlights of our first quarter plans. Please be aware though, that there are many more events we are either hosting or will plan during the upcoming quarter.

With the advent of our growth we are making many more visits outside of our immediate markets. My Portfolio Guide serves investment clients nationwide so if you're ever curious when we will be in your neck of the woods....give us a shout! **(888) 47-GUIDE**

2015 kicks off as it always does with our National Investment Conference. Each time we attend one of these conferences our firm becomes stronger and more intelligent which in turn helps us provide the most robust services, resources, and leading economic analysis available in the industry.

Along with some of the top economists in the world we will meet with Leon Panetta, Peter Diamandis, and even Magic Johnson.

Once the weather starts to warm up again you'll find My Portfolio Guide hosting several key client and prospective client engagements. We start in Orange County, CA with a presentation and educational evening centered around how to prepare, update, and finalize your Estate Plan. Every one of us is in at least one of these stages; attend this event and check it off your 2015 "to-do" list!

Come visit with us in Denver later in the Spring. We'll be hosting an evening of unique dining and hold an open-ended forum for investors to ask any question on finance and/or economics. Other visits in the Rocky Mountain Region include: Cheyenne & Laramie, WY, areas surrounding Yellowstone (Wyoming, Idaho and Montana) and the Front Range and Western Slope regions of Colorado.

Lastly, for any of you who plan to make the annual visit to baseball Spring Training in either Arizona or Florida...let us know! On a first come first served basis we will be giving tickets out to select games!

