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## All Things Change

Nothing can last forever. Specific investment strategies are not immune to this reality. For very good reasons, which we will detail in this Special Report, it is time for the overarching investment strategy of Weiss Wealth Management to change. Before detailing the change, we think it is important to give some background on the reasons for the prior strategy.

Since 2008, we have had a distinct, focused, investment strategy. The banking/real estate bubble, combined with a stock market crash, gave us cause to tread lightly. At that time, significant amounts of wealth was destroyed investing in traditional broad based asset allocation. Unfortunately, much of the lost wealth has not been recovered.

We devised a strategy, concentrating on the few sectors that were minimally affected by the Great Recession. We tried to avoid investment sectors that seemed in the crosshairs of the bubble and crash. Since 2009, we maintained this stance. We felt that certain investment sectors would not enjoy a robust recovery. Banks had almost gone bankrupt. The health care sector became a mine field without knowing the true impact of the Affordable Care Act (ACA). Most traditional growth sectors of the economy were not recovering as in prior recessions. Until recently, the period of 2009-2013 has seen the slowest economic recovery of any recession in the last 70 years.

When we concentrated on investment sectors that were not in economic contraction, we created portfolios that provided high income and had growth potential. Until recently, this strategy offered us competitive returns with statistically less risk than the overall market. However, in the last few months, the general markets have performed better than the portfolios we created years ago.

So what has changed? We think there are four significant events this fall that altered our view. First is the increase in employment. Until this past summer, the recovery has seen very slow job creation. It has been difficult to want to invest in sectors dominated by consumer spending given how slow the economy has recovered in general. Specifically troubling was how little wage and net



worth have recovered in the last few years. It now appears that the economy is ready to accept more entrants into the labor force.

The second event that turned our heads was the collapse of gold and silver prices and the rise in value of the U.S. Dollar. The banking/housing bubble and the Great Recession put great stress on markets worldwide. While gold reached its peak in 2011, the significant pullback in all metals this year has been a sign. Precious metals prices receding lets us think that the stress in the worldwide financial system has abated.

We think the drop in oil prices is another signal that the U.S. economy is about to begin to grow more robustly. While the recent drop in oil prices negatively affects a few investments we own directly, the impact on the general economy should be very positive. Lower oil prices allow other sectors to grow more quickly than they would when oil prices top \$100 per barrel.

Last, the outcome of the November 4<sup>th</sup> election seems to indicate that the hostile business environment created in the last five years is about to change. We believe that Congress will begin to enact legislation that will be much more business friendly than we have seen recently. A more positive business environment should signal to the private sector to begin again to reinvest in their businesses, expanding their production capabilities and hire more workers.

As recently as June 2014, our strategy to narrowly focus portfolios provided our clients with a lower risk profile but still enjoyed competitive returns. Since then, however, the general market's performance has begun to outpace our own. We believe that markets know more than any one or group of players in it. If our strategy begins to lag the performance of the general markets, we must adapt.

It is for the above mentioned four reasons that the Weiss Wealth Management Group of Raymond James should adapt its strategy.

In portfolios we manage by discretion we have begun the shift from a narrow focused portfolio to one of greater diversification. In 2014 the sectors we have avoided: financials, health care, and technology have rotated to market leaders where before they were market laggards.

We are reducing our exposure to the energy field, using our excess cash to establish investment positions in the areas mentioned above. The relative outperforming of these sectors convinces us that the economy may be in fact finally turning into the "thoroughbred" economy from the "plow horse" economy of the past five years.

Until recently, avoiding sectors that looked to us as toxic has served us well. But these sectors rotating into market leaders show us where the future lies. We will adapt our strategy accordingly.

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