



OPTIVEST

WEALTH MANAGEMENT

Turning Success into Peace of Mind.

FIRST QUARTER 2015

January 7, 2015



To Our Investors:

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U.S. Economy

2014 started with a 1.9% drop in the first quarter GDP, increased 4.6% (revised) in the second quarter, and further gained 5.0% (revised) in the third quarter. This 5.0% gain was the best quarter since 2003 (Reuters) and the fourth quarter of 2014 is expected to be strong as well. Consumer sentiment has steadily increased along with business and consumer spending; the economy is finally in a healthy recovery mode. Low inflation (helped by lower inflation in Europe and a drop in commodity prices) allowed interest rates to drop back to 2% levels on the 10-year Treasury Bond. We have now moved from a fragile economy which was threatened by rising inflation to a healthy economy likely to enjoy relatively low inflation over a couple more years. The financial markets responded with the average U.S. stock fund rising 7.6% and most other asset classes gaining 1% - 5% (WSJ).

2015 Forecast

ECONOMY: We are entering the sixth year of a typical 8-year economic expansion after a financial crisis. The decline of oil will add 0.4% - 0.5% to the U.S.'s and other developed countries' GDP

(estimated \$70 average on price) which will help keep Europe and Japan in slight positive growth and the U.S. at 3.5% - 4.0% GDP. Business top-line revenue growth will climb more rapidly than we've seen in the last few years as pent-up demand from consumers and business CAPEX spending speeds up. Unemployment will end 2015 under 5% which will provide the impetus for delayed wage growth. The U.S. dollar will continue to gain against other currencies for 1 - 2 more years. Politics will get better, with more bills passed from the centers of both parties. Main Street will finally feel "normal" again, but Wall Street will be challenged.

STOCK MARKET: We believe that U.S. stocks will continue upward for 5 - 9 months into 2015 before becoming more volatile with a "good news is bad news" sentiment (i.e. good economy leading to higher inflation). Europe and Japan will likely have better full-year stock markets recovering from weak current valuations vs. the U.S. We are likely to see a 10% - 15% correction in the second half of the year.

INTEREST RATES: We do not see a rise in the Fed Funds short-term rates until at least mid-2015 and then only a measured "slow climb to normalcy." However, in anticipation of this we see vulnerability in the 2 - 5-year "belly" of the yield curve and recommend a barbelled strategy vs. laddered strategy to avoid losses (we use a negative 3-year duration fund to hedge this risk). Longer term, if our stronger economy thesis holds, interest rates will rise across the whole yield curve in late 2015.

COMMERCIAL REAL ESTATE: A stronger economy will help occupancy (except in oil towns) and then rent increases. Rents will continue to rise in retail centers and apartments followed by a rise in industrial and finally in office. CAP rates will go up when interest rates rise but values should continue up with N.O.I. increases more than off-setting CAP rate gains.

CAVEATS: Despite having an encouraging current economic recovery in the U.S., there are external risks which will effect our financial markets. They include: weakened commodity-based countries, real estate losses in China, burdensome Developed Country sovereign debt, deflation, Greece's E.U. exit, wars, oil prices staying below \$60 and politics. We are watching carefully to adjust our views as future events unfold.

4Q2014 Portfolio Review by Leslie Calhoun

In the midst of a mending U.S. economy, we cannot prevent the good and the bad news of the entire world moving our markets. Stories and situations from around the globe effect our markets significantly and quickly. While the fourth quarter of 2014 was looking to be a continuation of the bull market, we were growing less comfortable with the run up and believed a sharp and deep pull back would occur soon. By the beginning of October, with increased volatility and negative headlines about ISIS, Ebola, declining oil prices, slowing China and an over extended market rally, we formalized our plan to take advantage of lower stock prices on a pullback across all accounts.

With hindsight for perspective, we nailed the pullback when we made adjustments to our SageView portfolios. But we acknowledge that our decision and confidence was bolstered by numerous consultations with our respected professional peers and economic resources we read daily. On October 15 and 16, we deployed cash and cash equivalents into equities, both U.S. and Developed International, and into MLP funds.

In December we took advantage of Tax Loss Harvesting for accounts it would benefit. We sold a portion of our negatively performing commodity fund and used those proceeds to purchase stock of companies which will benefit more rapidly from lower oil prices.

We look forward to ongoing meetings and discussions both in-house and with our peers in early 2015 so we can continue to anticipate needed adjustments to best serve you and your diversified portfolio.

Late '90's Déjà vu?

A financial crash in Russia, falling oil prices, strong dollar, a resurgence in the U.S. economy, hot IPO market, weakness in Germany and Japan, tumbling emerging market currencies and a lame duck Democratic President with both houses controlled by Republicans - is this 2015 or the late 1990s?

By 1999, our GDP had been rising by more than 4% per year (twice that of other Developed Countries), unemployment had fallen to 4% and the S&P 500 had almost reached a 30 P/E. Optimism in America and the unlimited potential for the Internet was reaching a Zenith. The tech boom eventually busted and we slipped into a mild Recession in 2011.

They say history never exactly repeats itself, but it often rhymes. I don't know about you, but a little late '90s fun would be just fine (as long as we don't overstay the party).

Concierge Travel by Shannon Kavlich

Happy New Year! January is the perfect time to reflect, assess, dream as you map out the coming year. Personally, this is my favorite time to conjure up a fabulous holiday or a few weekends away somewhere unique... solo or with the entire family. Optivest has strong partnerships with some of the finest luxury travel specialists such as [Andrew Harper](#), or around-the-world expeditions through [TCS World Travel](#). If you have not yet enrolled in the [Global Entry Trusted Traveler](#) program for expedited transport through U.S. Customs and Security lines, please [contact me](#) for assistance; this will save you hours at the airport for the next five years!

Optivest News

2014 was an eventful year for Optivest: Leslie Calhoun became the Chief Investment Officer (CIO) and partner in Optivest Wealth Management, Optivest Investment Banking completed 3 major transactions with a large closing expected January 2015, Optivest Properties' REIT (NSA) is now the largest private self-storage REIT in the country, and over \$600,000 was donated to charities through the Optivest Foundation (see below). Thank you to our clients and partners who made these successes possible.

Optivest Foundation 2014 Summary

The Optivest Foundation made distributions totaling in excess of \$600,000 in 2014.

Highlights include:

- Continuing our multi-year commitment to the High Five initiative with Breakthrough Partners, a national educational program designed to reach at risk children in Rwanda through the local church.
- Providing funds to assist in rescue and training for women and children caught in the trap of human trafficking through the work of Operation Mobilization and The Freedom Climb.
- Sourcing micro finance loans and addressing the holistic approach to addressing poverty through Hope International.
- Continuing our multi-year commitment to the building and development of Northrise University and farms in Ndola, Zambia.
- Funding the first of a multi-year pledge to expand the facilities and ministry at Forest Home, a local Christian retreat and conference center in Forest Falls, CA.
- Over \$50,000 was distributed to individuals in need through our benevolence fund.

- Twelve staff members participated in ministry trips in countries that included Rwanda, Nepal, Dominican Republic, Mexico, Malaysia and the United States.
- The Optivest staff 'adopted' 22 children at Rancho Sordo Mudo, a free home and school for deaf children in Baja California, by selecting, wrapping and sending gifts in December.

The Optivest Foundation also provided a number of scholarships to local college students, supported missionaries in several countries around the world and assisted with funding pastoral training both here in the U.S. and abroad.

Until next time,

Mark Van Mourick

Leslie Cathoun

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