

# Campbell Capital Management

9400 S. Dadeland Boulevard, Suite 111, Miami, FL 33156

<http://www.camcap.com>

---

Tel 305.670.3140 • Fax 305.670.3142 • Email [cc@camcap.com](mailto:cc@camcap.com)

January 16, 2014

Dear Money Management Client:

Enclosed are statements showing another very successful year. We wrote last January that bond investors were being set up for a blood bath while equity owners would be rewarded with dividends and capital appreciation during the year, and that's exactly what happened. Our view remains that while the Federal Reserve is committed to an aggressive monetary policy, equities will continue to outperform. "Don't fight the Fed", was the late great Marty Zweig's theory, and it's still good advice.

So should we expect a repeat performance? The U.S. economy, as well as every other developed economy, is suffering from slow growth due to deleveraging and the resulting deflation. Noted economist, Gary Shilling, predicts that the "deleveraging after a major leveraging binge and the financial crisis that inevitably follows normally takes around a decade, and since the work down of excess debt commenced in 2008, the process is now about half over." Ironically, the stock market performed marvelously last year in spite of the deleveraging backdrop. That just goes to show you, it's complicated.

We give the Fed much credit, but the real kicker last year was a jump in the price/earnings ratio (P/E) for stocks. It's a common measurement tool, and Shilling estimates that three-fourths of the rise in stock prices was due to the jump in P/E's from 16 to 19. Corporate profits rose as well, but that was largely due to record (and difficult to sustain) profit margins. In summary, we owe much of last year's success to an expansion in valuation metrics, because the slow economic growth resulting from deleveraging prevented most of the top line sales volume growth associated with normal recoveries.

Interest rates should stay low again this year and that will provide a nice backdrop for bond proxy type investments like REITS, utilities and preferred stocks. We suffered a bit of "reversion to the mean" last year with those assets, but remain very friendly to their prospects. All in all, we're looking forward to a good year, and if the deleveraging process takes a breather, we could be in for another very good year.

As always, we remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell

***SEC Disclosure:***

*As you know, Campbell Capital Management is registered as an investment adviser under the Investment Advisors Act of 1940. We are required to update the information in our Form ADV periodically, to ensure that it contains up-to-date information about our company. If you would like to receive a free copy of our most recent amendment to Part II of our Form ADV, please call or write us at the address below.*

*Please send your request to:*

*Campbell Capital Management  
9400 S. Dadeland Blvd. Ste 111  
Miami, Florida 33156*

***Campbell Capital Management Privacy Policy:***

*Campbell Capital Management (CCM) is committed to protecting your non-public information and considers this safeguarding of information a priority. We maintain procedures and technology designed to prevent access to your personal information. We employ physical, electronic, and procedural protections in accordance with industry standards. We restrict access to personal information to employees, our registered representatives and service providers for legitimate business purposes. We may share personal information we collect about our customers, prospects and former customers to service providers such as:*

- Unaffiliated service providers such as securities clearing houses, printers for delivery of statements and other administrative services associated with your account(s).*
- Government agencies, such as tax reporting or court orders.*
- Other organizations such as consumer reporting agencies.*
- Other organizations, as permitted by law that protect your privacy such as fraud prevention.*

*If CCM shares nonpublic personal information relating to a consumer with a nonaffiliated company under circumstances not covered by an exception under Regulation S-P, the firm will deliver to each affected consumer an opportunity to opt out of such information sharing.*